NEW EUROPE PROPERTY INVESTMENTS PLC

Annual Report 2008

HIGHLIGHTS OF THE PAST YEAR

Invested €86.8 million by year end 2008, establishing exposure to 29 properties in Romania and Germany and over 160 tenants by April 2008.

Property portfolio valued at €85.1 million as at 31 December 2008.

Distributable earnings of 14.72 € cents per share in respect of the 2008 financial year.

Additional five year loan facility of €7.3 million secured on 3 October 2008.

Adjusted NAV per share of €1.98 as at 31 December 2008, constant since December 2007.

New Europe Property Investments plc ("NEPI", the "Company" or the "Parent Company") is the holding company of a group of companies (the "Group") that forms a closed-ended property income fund and is registered in the Isle of Man.

The Company's objective is to provide shareholders with an opportunity to invest in a dividend paying, long term closed-ended property fund that could serve as a vehicle for investors seeking Central and Eastern European investment opportunities that yield stable absolute returns. Whilst the Group's current portfolio includes office, retail and industrial properties that offer strong rental flows and are located in Romania and Germany, it aims to invest also in Eastern European countries other than Romania. Investments are made with a view to hold these for the long term and for the purpose of optimising income in a sustainable manner.

It is the Company's intention to distribute to shareholders at least ninety percent of its consolidated revenue profits on a semi-annual basis, subject to compliance with the relevant laws which govern the Group's subsidiaries. Capital profits derived from asset disposals are re-invested.

The Group's assets are managed by Nepi Investment Management (BVI) Limited (the "Investment Advisor"), a company whose sole purpose is to manage the Group's property portfolio. The Investment Advisor provides the Group with a management team in accordance with the Investment Advisory Agreement.

The Group's objective is to provide shareholders with an opportunity to invest in a dividend paying, long term closed ended property fund that could serve as a vehicle for investors seeking Central and Eastern European investment opportunities that yield stable absolute returns.

Chairman's Statement

GENERAL

The Company was incorporated on 23 July 2007 and admitted to the AIM market of the London Stock Exchange on 22 August 2007 with capital commitments of €53 million. The immediate objective of the Group was to create a diversified property related rental income stream that would provide its shareholders with stable absolute returns. The Group achieved this by following its two acquisitions in 2007 (the Flanco Portfolio and Rasnov Industrial Facility), with two further acquisitions concluded by April 2008 (the Raiffeisen Portfolio and the Premium Portfolio). As a result, the Group now has invested €86.8 million in Romania and Germany, has exposure to 29 properties and more than 160 tenants. The acquisition of the Raiffeisen Portfolio has been consolidated for the full period and the German acquisition has been proportionately consolidated with effect from 14 April 2008.

The Company has embarked on a secondary listing of its shares on the Alternative Exchange ("AltX") of the JSE Limited ("JSE") in South Africa. This process has taken significantly longer than expected as a result of regulatory technicalities. However the Company has obtained informal approvals required in order to conclude the secondary listing. The secondary listing is expected to be concluded early in 2009. The secondary listing should improve the depth of the shareholder base, facilitate further trade in the Company's shares and the intention is that it will provide a further source of capital in the future.

DIVIDENDS

The Group produced satisfying results, achieving distributable earnings per share of 14.72 € cents in respect of the year ended 31 December 2008 and the board recommends a final dividend of 7.24 € cents per share, bringing the total recommended dividend for the 2008 year to 14.72 € cents per share.

PROSPECTS

The Company has established a solid base and is seeking to take advantage of unique investment opportunities that are crystallising in its markets, due to the economic difficulties that started to unfold in the latter half of 2008.

P. F. Gray

PETER GRAY

Directors of the Company

Peter Gray (72)

Independent non-executive
Chairman
Appointed on August 14, 2007

Peter Gray is a senior figure in the London investment field. Having qualified as a chartered accountant with Cooper Brothers, now PricewaterhouseCoopers, in 1969, he was an institutional fund manager with Samuel Montagu & Co, now part of HSBC, from 1970 to 1977. From 1977 to 1983 he was head of the investment division of the Crown Agents for Overseas Governments and Administrations, a UK government agency. From 1983 to 1987 he was managing director of Touche Remnant & Co, a spin-off from the accounting firm that is now Deloitte & Touche, and then one of the largest managers of investment trusts in the UK.

He is a former deputy chairman of the UK Association of Investment Trust Companies, and chairman or director of a number of investment companies managed by leading London-based fund management groups. He is currently chairman of the Anglo Japanese Investment Company Limited and a member of the international advisory boards of Mellenthin Corporate Finance Gmb and Al Farida Investments LLC. Mr. Gray is a co-founder and director of Dynastic Management Ltd and IAUJ Ltd.

Desmond De Beer (48)

Non-executive Director
Appointed on October 21, 2008

Desmond de Beer has significant property investment and management experience. He spent several years in the banking industry, first with Barclays Bank in South Africa where he was initially appointed to the executive development programme, and subsequently bond manager at Barclays Trust in 1988. From 1989 he was employed by the Nedbank Group in various property finance related positions, culminating in his appointment as General Manager Corporate Equity and his membership on the executive committee at Nedcor Investment Bank Ltd ("NIB"). Since 2003 Mr. De Beer has been the managing director of Resilient Property Income Fund Ltd (listed on the JSE in South Africa).

Mr. De Beer is also director of the asset management company of JSE listed Capital Property Fund and non-executive director of JSE listed Pangbourne Properties Ltd and JSE listed Sycom Property Fund. Mr. De Beer holds a BProc and a MAP from the Wits Graduate School of Business. He is also an alternate director of the Investment Advisor.

Dewald Joubert (36)

Independent non-executive Director
Chairman of the Audit Committee
Appointed on July 23, 2007
Re-elected on May 13, 2008

Dewald Joubert is an admitted South African advocate. His corporate experience relates to advising multinational groups on international tax and corporate governance matters. In addition to his position on the board of the Company, he also currently serves as an independent non-executive director on the board of Anglogold Ashanti Holdings plc.

Previously he served on the board of Pangea Diamondfields plc and on the boards of key operating and investment holding subsidiaries of the Dimension Data Group and the Nampak Group, where he participated in oversight of treasury and trading operations. He worked with the South African Revenue Services between 1996 and 1998, Arthur Andersen's tax practice in South Africa between 1999 and 2000 and thereafter practiced tax law as a registered legal practitioner out of the Maitland Group's Isle of Man office, where he was a director of the firm from 2006.

Mr. Joubert currently works as an independent consultant to the Maitland Group after joining a private investment group in July 2008. He holds a Bachelor of Commerce and Laws.

Directors of the Company (continued)

Michael Mills (61)

Independent Non-executive Director
Member of the Audit Committee
Appointed on August 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 had considerable involvement in mergers and acquisitions activity, turnarounds and rescues in the public sector, and has held senior financial roles in BTR plc and Bunzl plc as well as five years in private equity as a director of Apax Partners.

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.

Dan Pascariu (58)

Independent Non-executive Director
Appointed on November 26, 2007

Dan Pascariu is a senior figure in the Romanian financial industry. He started his career with the Romanian Bank for foreign Trade in 1973, becoming its Chairman and CEO in 1990. Between 1994 and 1996 he was the CEO of Banca Bucuresti, a newly created baking institution by Alpha Credit Bank of Greece and European Bank for Reconstruction and Development as well as Chairman of the Board of Bucharest Investment Group, the investment banking arm of Banca Bucuresti. Between 1996 and 1998 Mr. Pascariu was Chairman of the Board of Creditanstalt Financial Advisors, the investment baking arm of Creditanstalt Bankverein of Austria.

From 1998 to June 2007 he was the Chairman and CEO of the Bank Austria Creditanstalt banking subsidiary in Romania. Following its merger with the local subsidiary of Unicredit, since June 2007 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 between 1991 and 1994, as well as a cofounder and associate Professor at the Romanian Banking Institute.

Martin Slabbert (37)

Non-executive Director
Appointed on August 14, 2007

Martin Slabbert has 12 years' of experience within the finance industry where he initially gained experience in mergers and acquisitions, turn-around and financial restructuring through positions at Arthur Andersen and HSBC Investments Services (South Africa) (Pty) Ltd. In 2001, Mr. Slabbert joined the Nedbank Group via NIB and held the positions of senior vice president for 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. This included a one year secondment to Premier Foods Ltd as CFO to assist with the group's turn around.

More recently, Mr. Slabbert held the position of partner of financial advisory services for 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 holds a Bachelor and a Masters of Commerce and a Bachelor of Laws. Mr. Slabbert is an executive director of the Investment Advisor.

The Company's strategy is to provide investors with a long term investment opportunity with stable Euro based investment returns derived from properties initially in Romania, but later also in other Central and Eastern European countries that are recent entrants of the EU or are considered to be on the accession path. This is achieved by making investments in properties which have been carefully selected based on analysis performed by the Investment Advisor.

The Group has to date invested primarily in the high quality office, retail and industrial property market in Romania. In addition the Group acquired six investment properties located in Germany in a joint venture with CIREF Europe Limited on an opportunistic basis.

Given the extraordinary events that have unfolded in the global macro-economic environment in the latter half of 2008, the Group has started to re-focus its efforts to take advantage of the investment opportunities that have arisen from this. To this end, the Group put in place additional debt finance facilities and intends to conclude the disposal of one property in its portfolio during the first half of 2009 (by excercising a put option it has in relation to this property).

INVESTMENT POLICY

The Group's investment policy is to seek exposure to high quality, income producing office, retail and industrial properties. Property investment transactions include, but are not limited to, sale and leaseback transactions and acquisitions of single properties or portfolios of properties. The Group seeks to achieve a wide exposure to different tenants in order to diversify risk. The current property portfolio includes 29 properties and more than 160 tenants.

Investment opportunities are also sought in development property (which may include establishing joint ventures with developers) to the extent to which these investments can be structured to allocate the majority of the development risk and/or risks related to leasing the assets to the developer or another third party. As at the date of this report, the Group has not invested in development property.

Up to five percent of the Group's investments may be in land which is yet to be developed and up to a further five percent of the group's investments may be in assets that are not income producing at the time of acquisition, but which can be converted and/or refurbished post acquisition to become income producing.

The Group holds no investment in land that can be developed other than in Rasnov. This land with a total area in excess of 2,500 square meters was acquired as part of the industrial property located in Rasnov. There is no current intention to start development projects on the land.

PORTFOLIO DETAILS

The Group's property portfolio is valued at €85,142,170 as at 31 December 2008 and consists of 29 properties with a rentable area of 87,000 square meters (this figure includes 50% of the rentable area in relation to the German portfolio as the Group owns a 50% interest therein). The Romanian portfolio was valued by DTZ Echinox Consulting S.R.L., and the German portfolio was valued by Dr. Lübke GmbH. The Group's policy is to revalue its portfolio on an annual basis.

THE FLANCO PORTFOLIO

The Flanco portfolio was acquired in 2007 and consists of three high street retail locations and one big-box retail property in four Romanian cities. The portfolio is rented to five tenants and the weighted average remaining lease period in relation to the portfolio as at 31 December 2008 was 6.6 years.

The tenants include Banca Comerciala Romana (Romania's largest banking group), Piraeus Bank (a large Greek banking group), Flanco (a Romanian national white goods retailer), US Food Network (the operators of the KFC and Pizza Hut franchises in Romania) and Aura Gaming (an international gaming operator).

Resita
Raiffeisen Bank

Hi-Lo Rasnov Industrial Facility

THE RASNOV INDUSTRIAL FACILITY

The Rasnov Industrial facility was acquired in 2007 and consists of 23,040 square meters of industrial space in Rasnov, Romania. The industrial facility is rented to the Picanol Group, an international group specialising in the development, production and sales of weaving machines and technology for the textile industry and Hi-Lo Sisteme de Depozitare S.R.L., a subsidiary of UK's second largest manufacturer of pallet racking and heavy duty shelving systems. The remaining lease periods for Picanol and Hi-Lo were in excess of 6 and 14 years respectively as at year end 2008.

The Hi-Lo group was recently acquired by Constructor Group AS, a leading pan-European manufacturer and provider of industrial and commercial storage solutions. Constructor Group has indicated that it wishes to replace Hi-Lo's holding company as rental guarantor. If completed, this is likely to lead to a release of a two year rental guarantee held by the Group in the form of an interest free cash deposit.

As at 31 December 2008 3,400 square meters of the Rasnov Industrial facility were vacant. The Group had payment obligations to Hi-Lo that were dependent on a number of conditions, including inter alia, the completion by Hi-Lo of the refurbishment of the vacant space and the introduction of an acceptable tenant by 12 December 2008. As at 12 December 2008, the refurbishment of the vacant space was still ongoing with the result that the Group has no obligation to make any further payments to Hi-Lo in relation to the vacant space.

THE RAIFFEISEN PORTFOLIO

The Raiffeisen portfolio, which consists of 18 properties situated in various cities in Romania, was effectively acquired on 1 January 2008. The buildings comprise 47,380 square meters of rentable space, of which 32,352 square meters are currently subject to lease agreements and 4,800 square meters are currently under refurbishment. The Raiffeisen banking group is the largest tenant in the portfolio, occupying 26,246 square meters of space up until 2014. The remainder of the rented space is occupied by smaller tenants for which the vendor has provided a four year rental guarantee. The vendor provided a three year rental guarantee in relation to vacant space and space under refurbishment. The Group has the right to sell the Constanta property (6,697 square meters, including 1,400 square meters of vacant space) back to the seller and has excercised this right subsequent to the 2008 year end as it is of the view that the capital that will be released as a result can be put to better use in the current economic environment. It is expected that the sale will be concluded by the end of May for a price of €5,764,300.

To the extent that the vacant space as at acquisition date does not generate €885,000 of annualised net rental income by February 2011, the seller will have to make a capital repayment of up to €1.75 million to the Group. If the rental income exceeds €885,000 as at this date, the Group will have to make a capital payment proportionate to the rental revenues in excess of the initially agreed amount, but up to a maximum of €4 million.

THE PREMIUM PORTFOLIO

The Group concluded an agreement on 14 April 2008 to acquire 50 percent of the issued share capital of CIREF NEPI Holdings Limited, which in turn acquired the share capital of CIREF Europe Management Limited. The latter became the Company's partner in two German SPVs on 8 April 2008, which jointly acquired a portfolio comprising four retail centres, a medical office facility and a mixed use retail and residential property.

The retail centres are situated in Leipzig, Bruckmuehl, Eilenburg and Frankfurt and include a total rentable area of 24,106 square meters. The medical centre (with a total rentable area of 2,027 square meters) is located in Munich and the mixed retail and residential property (with a total rentable area of 10,111 square meters) is located in Moelln. The portfolio is rented to over 100 tenants that include Joseph Schneider GmbH, Rewe Deutscher Supermarket, Plus Warenhadelsgesellschaft, Norma and several medical professionals' practices. The weighted average remaining lease period in relation to the portfolio as at 31 December 2008 was 4 years.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of the Company is as is set out in the table below.

	€
Authorised: 150 000 000 ordinary shares of €0.01 each	1,500,000
Issued: 28 150 000 ordinary shares of €0.01 each Share premium	267,950 52,487,190
Total share capital and premium after write off of expenses of €834 860 against the share premium account in respect of the listing on AIM	52,775,140

ALTERATION OF SHARE CAPITAL

Details of NEPI shares issued or to be issued since incorporation are set out below.

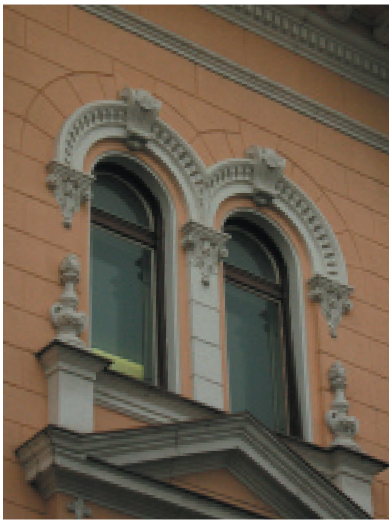
Date of issue	Number of shares issued	Issue Price (€)	Reason for the issue
22 August 2007	12,877,200	2.00	Listing on AIM
14 December 2007	13,917,800 [1]	2.00	Private placement
5 June 2008	1,355,000 [2]	2.18	Investment Advisor share incentive scheme

[1] These shares were issued further to commitments provided by shareholders who invested in the Company at the time of the Company's admission to AIM.

[2] These shares were issued pursuant to the Investment Advisor share incentive scheme as detailed in note 10 of the financial statements.

TRADING HISTORY

Trading in the Company's shares on AIM has been limited, mainly due to the long term holding strategy of the Company's initial shareholders. From the date of admission to 31 December 2008, one trade has been recorded for a total of 1,000 shares of the Company at a price of €2.25 per share, on 11 December 2007. Although the AIM website shows a decrease in share price to €1.75 on 31 October 2008, this change is not supported by a trade, but reflects the market maker's markdown as a result of general market sentiment and payment of the interim dividend. It is expected that the Company's shareholder base will be expanded during 2009 and that the secondary listing on the AltX of the JSE will in time facilitate improved liquidity in the Company's shares.



Tirgu Mures

FINANCE ISSUES AND LOANS

As at 31 December 2008 the Group had approximately €12 million available in un-pledged cash and un-drawn bank credit facilities. Details of bank loans are set out in the table below.

Borrower	Facility amount (€)	Drawdown amount (€)	Available for drawdown (€)	Interest rate	Hedge	Maturity	Repayments
Nepi Bucharest One S.R.L.	6,200,000	-	6,200,000	1M Euribor +2.5%	-	Oct 2013	Bullet
	1,100,000	1,100,000	-	1M Euribor +2.5%	-	Oct 2013	Revolving
Nepi Bucharest Two S.R.L.	6,460,000	3,932,867	2,527,133	1M Euribor +1.9%	Euribor capped to maturity at 4.7%	Apr 2011	Bullet
	1,140,000	751,000	389,000	1M Euribor +1.9%	Euribor capped to maturity at 4.7%	Apr 2011	Revolving
General Investment S.R.L.	15,000,000	13,216,241	-	Fixed at 6.23%	-	Aug 2014	5.9% in 2009 6.3% in 2010 6.7% in 2011 7.1% in 2012 7.6% in 2013 balance in 2014
Premium Portfolio	13,995,000	13,995,000	-	Fixed at 5.17%	-	Oct 2015	1% in year 1-2 1.5% in year 3-5 2% in year 6 balance in year 7

RAIFFEISEN PORTFOLIO LOAN

Financing the investment portfolio of General Investment S.R.L. and General building Management S.R.L.

Security:

General security over the investment property and shares of General Investment S.R.L. and by General Building Management S.R.L.

Covenants:

- Debt service cover ratio - 120% (minimum)
- Loan to value ratio - 70% (maximum)

PREMIUM PORTFOLIO LOAN

Financing the investment portfolio of Premium portfolio.

Security:

General security over the investment property and shares of Premium Portfolio Ltd & Co. KG and Premium Portfolio 2 Ltd & Co. KG

Covenants:

- Loan to value ratio - 90% (maximum)
- Interest cover ratio - 115% (minimum)

FLANCO PORTFOLIO AND RASNOV INDUSTRIAL FACILITY LOANS

Financing the investment portfolio of Nepi Bucharest Two S.R.L. and Nepi Bucharest One S.R.L.

Security:

- General security over the investment property and shares of Nepi Bucharest One S.R.L. and by Nepi Bucharest Two S.R.L.
- Corporate guarantee issued by New Europe Property Investment plc.

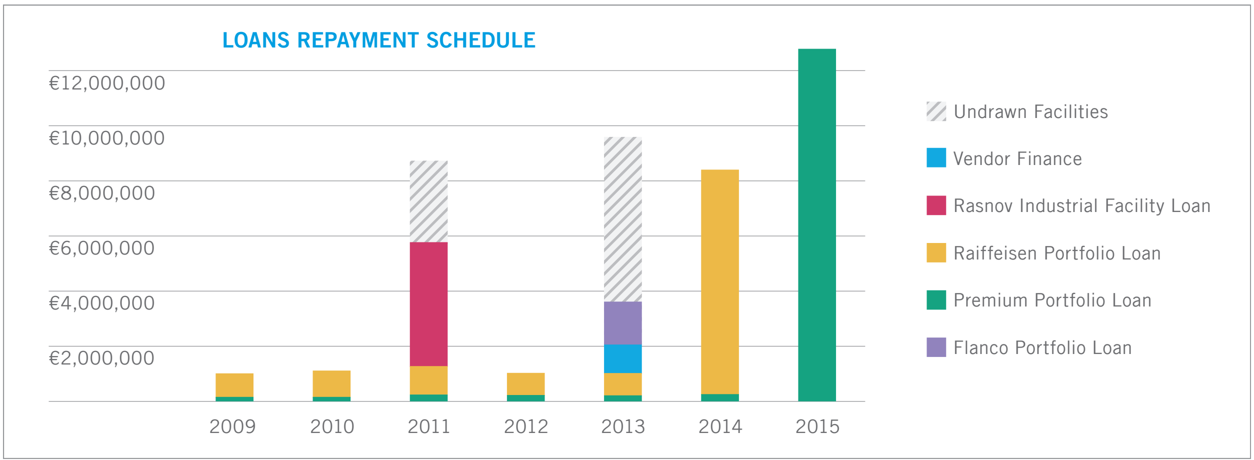
Covenants:

- Loan to value ratio 60% (maximum) in case of Nepi Bucharest Two S.R.L.
- Loan to value ratio 65% (maximum) in case of Nepi Bucharest One S.R.L.

The Group has made cash security deposits in amount of €895,000 and €402,952 in relation to the vendor finance and Raiffeisen Portfolio loan respectively. In relation to the Flanco Portfolio and Rasnov Industrial Facility loans, the Group needs to maintain a cash security deposit equivalent to 3 months' interest expense.

The re-financing of the Rasnov Industrial Facility loan that is repayable in 2011 is not considered to be of concern to the Group, given the long term nature of the lease agreement in place in relation to the Rasnov Industrial Facility that forms the subject matter of the security granted for this loan.

The Group is confident that it will continue to meet all covenants applicable to its outstanding loans and that loans will be re-financed at maturity, where necessary. The Group's aggregate loan to value ratio was 41 percent as at 31 December 2008 (the loan to value ratio adjusted for cash available was 36 percent).



MARKET OVERVIEW

In the context of the global credit squeeze, the unfolding global economic difficulties and rising financing costs a number of large investors that dominated the central and east European investment market (including the Romanian market) in the past few years reduced their investment programs or in some cases have announced disposal programs for their portfolios. As a result, there is an abundance of development projects and income producing assets available for investment relative to the number of investors interested in these. However, the lack of favourable financing on one hand and the mismatch between buyers' and sellers' expectations on the other resulted in a "wait and see" approach by many investors and property owners. The resulting transaction inactivity creates uncertainty concerning the value of the assets; however, acquisition yields are generally accepted to have expanded across all sectors of the market, especially for secondary properties for which it is more difficult to secure debt finance.

Despite the current economic slowdown Romanian GDP growth is forecasted to remain positive in 2009 after a record estimated increase of 7.9 percent in 2008. The Romanian property market is expected to exhibit strong fundamentals, except for the residential market. First, most Romanian cities continue to lack adequate property infrastructure with industrial, retail and office stock per inhabitant significantly below its neighbouring countries and European averages. Second, many developers had to suspend their existing projects and postpone their development pipelines mainly due to problems with funding.

Some developers are expanding their property management capacities anticipating longer holding periods for the operational properties. Even taking into account a probable slowdown in occupier demand, the constrained supply is expected to maintain a favourable supply-demand balance for property owners, especially in the prime products segment of the market.

The liquidity squeeze claimed its toll on the German property market. Leveraged investors are under pressure to sell, while the once cash rich (and modestly leveraged) German open ended funds experienced cash outflows in the last quarter of 2008 and are not expected to become active buyers in the short run. As a result the investment volumes in 2008 have decreased compared to the previous year, while the transaction yields have increased. The economic slowdown in Germany is expected generally to spill over in take-up levels and occupancy rates.

Cash rich investors are expected to benefit from the existing market circumstances by achieving increased returns on capital and having a wider choice of quality income producing and development properties.

FINANCIAL RESULTS

Rental and related income, property operating expenses, advisory fees and administrative expenses as well as operating cash flows for the 2008 financial year are in line with expectations.

Three non-cash items negatively affect the Group’s consolidated income statement for the year. First, a fair value adjustment of €1,671,077 was made to reflect a net reduction in the open market values of the Group’s properties based on a fair value for the Constanta property assumed to be equal to the option exercise price and the valuations obtained from DTZ Equinox Consultanta S.R.L. and Dr. Lubke GmbH for the other 28 properties. Second, the results include a fair value adjustment of €699,301 for movements in the value of financial instruments due to a €575,303 decrease in the value of the interest rate swap in relation to the Premium Portfolio loan and €123,998 decrease in the value of the interest rate cap in relation to the Flanco Portfolio and Rasnov Industrial Facility loans. Third, deferred tax in amount of €1,204,029 was accrued during the year. The deferred tax accounts for the tax that would be incurred should the assets be disposed of by the Romanian subsidiaries. Given that for tax purposes the historical values of properties are carried in Romanian Leu, while the property market values are expressed in € terms, any depreciation of the Romanian Leu leads to an increase in deferred tax which explains also the increase in deferred tax during the year.

The exchange gain recorded in the consolidated Group income statement results from the weakening in the Romanian Leu. In accordance with IFRS the Romanian subsidiaries are accounted for in Leu with the result that a movement in the value of the currency gives rise to movements in the recorded Leu value of assets and liabilities of the subsidiaries that are consolidated. In substance, the Group’s income is € denominated, as are its assets and liabilities.

The combination of the above mentioned adjustments led to a net accounting profit for the year of €1,469,350. Distributable earnings for the financial year amount to €4,144,943. This figure is arrived at by adjusting the accounting profit to eliminate the fair value adjustments, the exchange gain and the deferred tax expense recorded as well as adjustments required due to the issue of shares in terms of the Investment Advisor share incentive scheme (accounted for as treasury shares).

As the deferred tax liability and accounting treatment in relation to the Investor Advisor share incentive scheme can give rise to an understatement in the Group’s Net Asset Value, the Board has decided to report also an Adjusted Net Asset Value figure, which is 1.98 per share (2007: 1.98).

DIVIDENDS

With consideration to the 2008 interim dividend paid by the Company in amount of 7.48 € cents per share, the Board has decided to recommend a year-end dividend of 7.24 € cents per share, bringing the total recommended distribution to 14.72 € cents per share in respect of the 2008 financial period.

PROSPECTS

NEPI has created a solid foundation since its inception. It is NEPI’s intention in 2009 to capitalise on investment opportunities at levels of attractiveness that have not been available in the recent past.

DEWALD JOUBERT

MARTIN SLABBERT

Portfolio Analysis

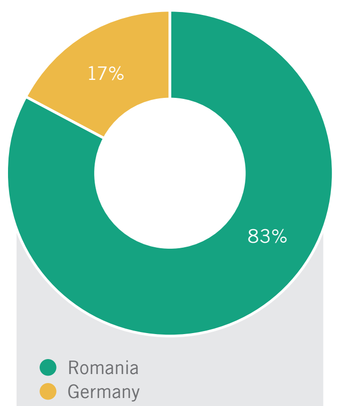
An analysis of the property portfolio in respect of sectoral and tenant spread, vacancy and lease expiry profiles, average rentals and rental escalations is provided in the charts, tables and commentary below. Rental and tenant information has been extracted from the leases and other contracted obligations that were in place as at 31 December 2008.

SECTORAL ANALYSIS OF PORTFOLIO REVENUES

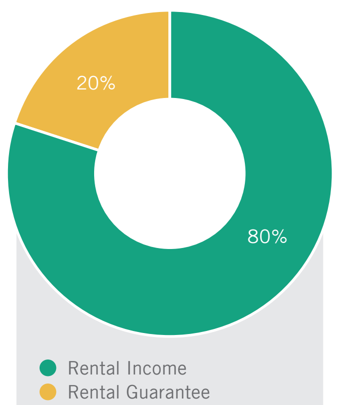
An analysis of portfolio revenues recorded in December 2008 in respect of sectoral and geographic spread is set out in the table and pie charts below.

Location	Office (€)	Retail (€)	Industrial (€)	Residential (€)	Rental guarantee (€)	TOTAL (€)
Romania	229,115	93,178	85,436	-	128,340	536,068
Germany	16,358	87,777	-	4,288	-	108,423
TOTAL	**245,473**	**180,954**	**85,436**	**4,288**	**128,340**	**644,491**

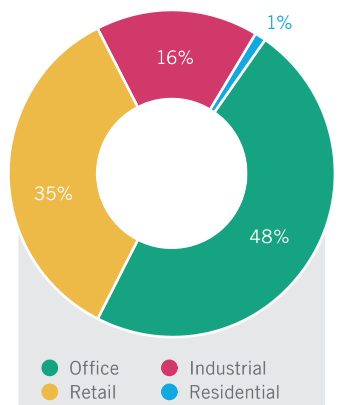
GEOGRAPHIC SPREAD (by gross rental)



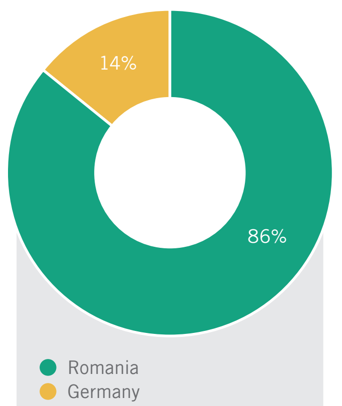
RENTAL INCOME STRUCTURE (by gross rental)



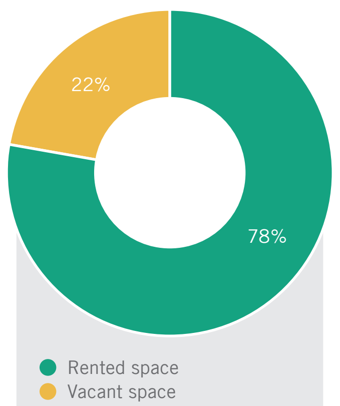
SECTORAL SPREAD (by gross rental)



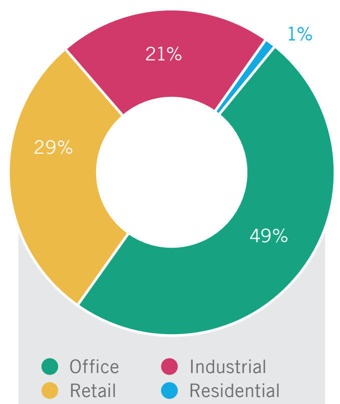
GEOGRAPHIC SPREAD (by rentable area)



RENTAL INCOME STRUCTURE (by rentable area)



SECTORAL SPREAD (by rentable area)



Portfolio Analysis (continued)

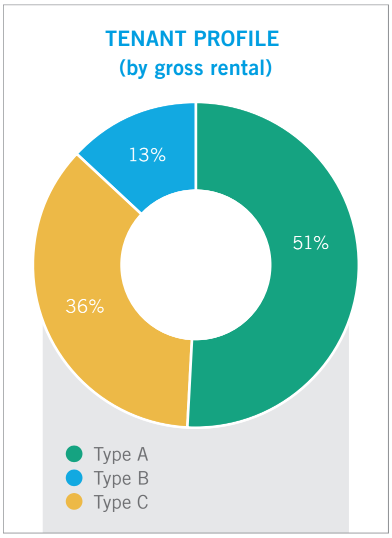
TENANT SPREAD

For the tenant profile chart to the right, the key below is applicable.

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

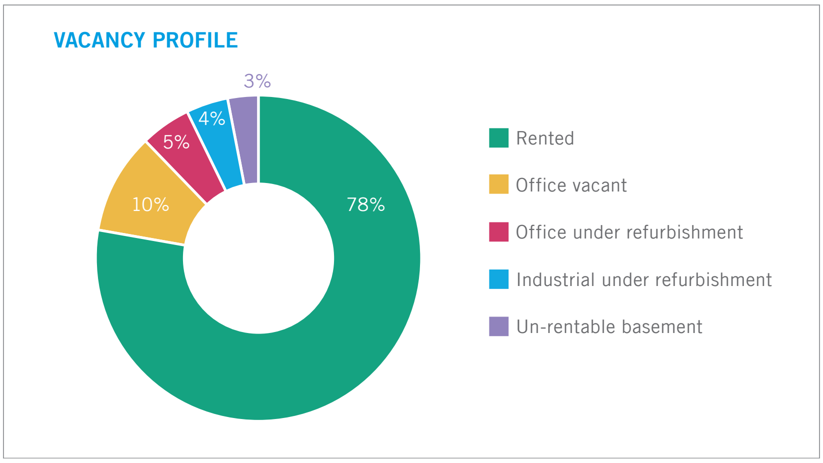
Type B. Smaller international and national, smaller listed tenants, major franchises and medium to large professional firms or other smaller tenants in respect of which rental guarantees are issued by parties that would qualify as B class tenants. These include, inter alia, Flanco and Takko and approximately 35 tenants from the Raiffeisen portfolio for which the vendor has provided a rental guarantee valid for 48 months from the acquisition date.

Type C. Other tenants. This comprises 101 tenants, of which 98 tenants are located in Germany and three tenants are located in Romania.



VACANCY PROFILE

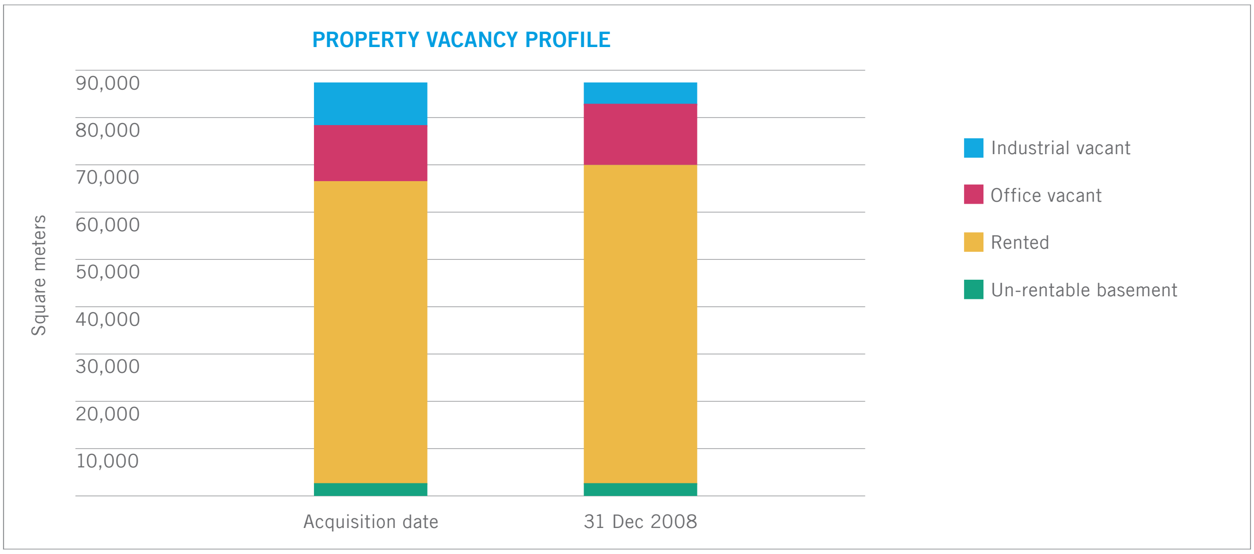
NEPI holds a diversified property portfolio of 87,000 square meters in aggregate (i.e. accounting for half of the area in the Premium portfolio as NEPI has a 50% interest therein), comprising office, retail, industrial and minor residential space. Of this area, 19,000 square meters (21.8%) were vacant at year end 2008, all of which was in Romania. Of the total vacant space 8,300 square meters (9.5%) were available for renting at year end, 8,200 square meters (9.4%) were under refurbishment and 2,500 square meters (2.8%) were considered un-rentable basement as per the chart below.



Of the space under refurbishment 3,400 square meters relate to the Hi-Lo industrial facility in Rasnov, 3,400 square meters relate to the Brasov property which is scheduled for completion in June 2009 and the balance of 1,400 square meters relate to the Constanta property which will be sold in the first half of 2009 by exercising a put option the Group has in relation to this property. In addition, the disposal of the Constanta property is expected to remove a further 800 square meters of vacant area from the property portfolio.

Portfolio Analysis (continued)

The chart below presents NEPI's property vacancy profile since acquisition date of each of the properties at year end 2008.



As a percentage of total area, the vacant area in the property portfolio has decreased from 27 percent at acquisition date to 22 percent at year end 2008. The bulk of the increase in the occupancy rate is due to the renting of 4,931 square meters at the industrial facility in Rasnov to the two existing tenants.

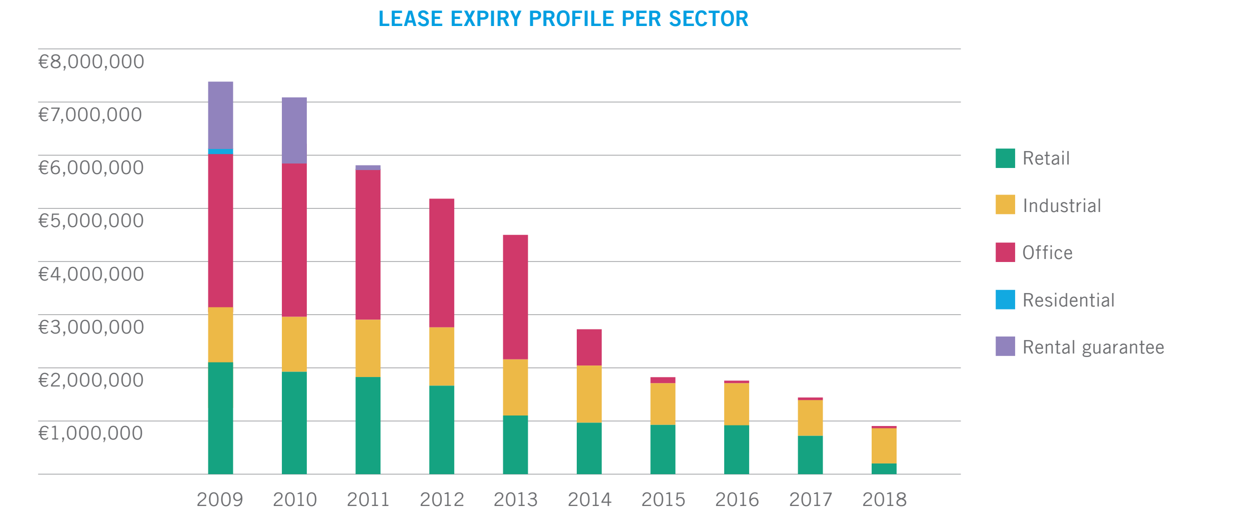
In relation to the vacant space in the Raiffeisen portfolio, there is a vendor rental guarantee that expires in February 2011 (see lease expiry profile for more details).

Deva
Raiffeisen Bank

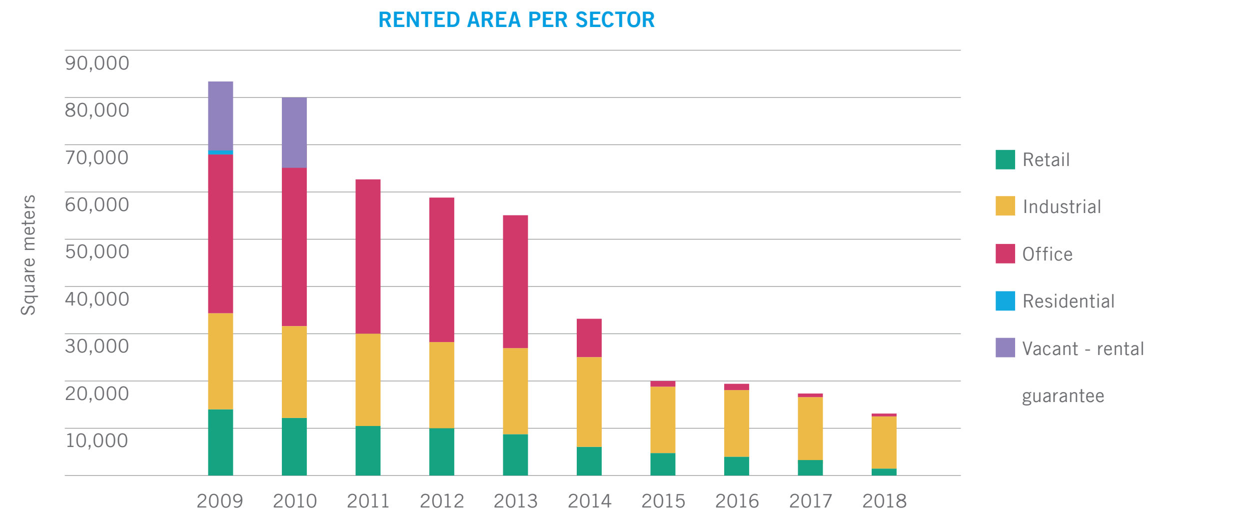
Bacau
BCR Building

LEASE EXPIRY PROFILE

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



The rental guarantee in relation to the vacant space in the Raiffeisen portfolio consists of monthly payments by the vendor and is based on an estimated value of the vacant space of €12.65 million. The rental guarantee will cease in February 2011. Newly signed leases in relation to the vacant space are capitalised at a predetermined rate and deducted from the initial estimated prepaid value. As the prepayment amount attracts a higher return level than the new lease capitalisation rate, the new rental income will disproportionately reduce rental guarantee payments by the vendor.



Portfolio Analysis (continued)

Alba Iulia
Raiffeisen Bank

AVERAGE RENTALS

The weighted average rental per square meter in the property portfolio as at 31 December 2008 is set out in the table to the right. The average annualised property yield (annualised net rental and rental guarantees divided by the property portfolio value at year end) is 7.7 percent.

SECTOR	Romania, €/m²	Germany, €/m²	Total, €/m²
Retail	20.43	9.01	12.65
Office	7.25	13.19	7.48
Industrial	4.34	-	4.34
Residential	-	5.13	5.13
TOTAL	**7.30**	**9.17**	**7.63**

RENTAL ESCALATIONS IN ROMANIA

Out of the total contracted rent in Romania, 95.2 percent of the rental income is indexed annually with European CPI. Lease agreements differ in relation to the bases of the European CPI - escalation could be EU27 CPI or € area CPI. CPI could be either annual CPI or average annual CPI, which have historically differed from one another within a range of a few basis points. Of the contracted rent in Romania 2.5 percent is indexed annually with an agreed amount per square meter, which is generally higher than the European CPI. Of the total rental income 2.2 percent is not indexed. In relation to 2008, the European CPI was 2.2 percent. Escalations in the rental agreements with Raiffeisen Bank are capped at 3 percent per annum.

Iasi
Piraeus Bank

RENTAL ESCALATIONS IN GERMANY

Out of the total contracted rent in Germany, 83.2 percent is indexed. The indexation is based on the German CPI while the indexation mechanism varies from tenant to tenant. A typical lease is indexed with 65 percent of the German CPI which is applicable when cumulative inflation exceeds a certain threshold, usually 10 percent. In relation to 2008 the German CPI was 1.1 percent.

Directors' Responsibilities and Corporate Governance

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

STRUCTURE AND MEMBERSHIP OF THE COMPANY'S BOARD

The Board of Directors comprises an independent non-executive Chairman and five further non-executive Directors. Four and therefore a majority of the non-executive Directors are independent.

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

The Company has no executive directors and no employees. The executive and day-to-day management of the Group is provided by the Investment Advisor and other third parties whose roles and responsibilities are clearly defined in the Investment Advisory Agreement and other relevant agreements.

While the Board delegates responsibility, the Directors retain accountability for the functions of its delegates and are responsible for the systems of internal controls that are designed to ensure that the assets of the Group are safeguarded.

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

The Board aims to meet formally at least four times a year and regular contact is made between the Board and the Investment Advisor. A schedule of board meetings and attendance during the course of the financial year is set out in the table below.

Date of Board meeting	Peter Gray	Desmond de Beer*	Dewald Joubert	Michael Mills	Dan Pascariu	Martin Slabbert
February 22, 2008	√	–	√	√	√	√
March 10, 2008	√	–	√	√	√	√
April 18, 2008	x	–	√	√	√	√
June 10, 2008	x	–	√	x	x	√
June 18, 2008	√	–	√	√	x	√
July 23, 2008	√	–	√	x	√	√
August 25, 2008	√	–	√	x	√	√
November 24, 2008	√	√	√	√	√	√

* Mr. De Beer was appointed on October 21, 2008

The Board has one sub-committee, being the Audit Committee which comprises Dewald Joubert (Chairman) and Michael Mills. It meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviewing of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are prepared so as to give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the 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 enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They have general responsibility for taking such steps as are reasonable to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

Bucharest
US Food Network (KFC)

INTERNAL CONTROL

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

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

Significant risks that are identified by this system are communicated to the Board with recommendations for actions to mitigate these. The Group uses independent agents to undertake any specialist analysis, investigation or action that is needed. To date the need for the use of independent agents have not arisen.

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

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

We have audited the Group and Parent Company financial statements of New Europe Property Investments plc for the period ended 31 December 2008 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the financial statements in accordance with applicable International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 20.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

BASIS OF OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and Parent Company's affairs as at 31 December 2008 and of the Group and Parent Company's profit for the year then ended; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit LLC

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

Financial statements

BALANCE SHEET

	Note	Group 31 Dec 2008 (€)	Company 31 Dec 2008 (€)	Group 31 Dec 2007 (€)	Company 31 Dec 2007 (€)
ASSETS					
Non-current assets		**87,533,635**	**51,555,471**	**21,718,364**	**52,777,774**
Investment property	6	85,142,170	-	-	-
Investment property at fair value		78,627,504	-	21,718,364	-
Investment property under development		6,514,666	-	-	-
Goodwill	7	2,386,463	-	-	-
Investments in subsidiaries	3	-	less than €1	-	less than €1
Loans to subsidiaries	3	-	51,555,471	-	52,777,774
Financial assets at fair value through profit or loss	11	5,002	-	-	-
Current assets		**6,190,203**	**3,398,070**	**33,793,900**	**393,817**
Trade and other receivables	8	1,771,356	3,389,930	142,793	148,264
Cash and cash equivalents		4,418,847	8,140	33,651,107	245,553
TOTAL ASSETS		**93,723,838**	**54,953,541**	**55,512,264**	**53,171,591**
EQUITY AND LIABILITIES					
Total equity attributable to equity holders		**51,397,909**	**54,887,457**	**53,053,519**	**53,075,457**
Share capital	9	267,950	267,950	267,950	267,950
Share premium	9	52,487,190	52,487,190	52,487,190	52,487,190
Share based payment reserve	10	81,841	81,481	-	-
Currency translation reserve		(757,686)	-	22,633	-
Accumulated (loss)/profit		(681,386)	2,050,476	275,746	320,317
Non-current liabilities		**37,195,489**	**-**	**56,767**	**-**
Loans and borrowings	11	32,750,804	-	-	-
Financial liabilities at fair value through profit or loss	11	575,303	-	-	-
Deferred tax liabilities	13	3,869,382	-	56,767	-
Current liabilities		**5,130,440**	**66,084**	**2,401,978**	**96,134**
Trade and other payables	12	3,268,082	66,048	2,401,978	96,134
Loans and borrowings	11	1,862,358	-	-	-
TOTAL EQUITY AND LIABILITIES		**93,723,838**	**54,953,541**	**55,512,264**	**53,171,591**
NAV per share	16	1.92	-	1.98	-
Adjusted NAV per share (28,150,000 shares)	16	1.98	-	1.98	-

These financial statements were approved by the Board of Directors on 11 February 2009.

The notes on pages 26 to 46 form an integral part of these financial statements.

INCOME STATEMENT

For the year ended:	Note	Group 31 Dec 2008 (€)	Company 31 Dec 2008 (€)	Group * 31 Dec 2007 (€)	Company 31 Dec 2007 (€)
Net rental and related income		6,315,183	-	322,017	-
Contractual rental income and expense recoveries		7,713,486	-	343,790	-
Property operating expenses		(1,398,303)	-	(21,773)	-
Share based payments		(81,841)	(81,841)	-	-
Investment advisory fees		(571,137)	-	(101,528)	-
Administrative expenses		(498,656)	(251,726)	(142,107)	(125,383)
Foreign exchange gain		1,144,227	-	-	-
Fair value adjustment on investment property		(1,671,077)	-	-	-
Profit/(loss) before net finance (expense)/income		**4,636,699**	**(333,567)**	**78,382**	**(125,383)**
Finance income		275,930	4,490,208	329,854	445,700
Finance expense		(2,239,250)	-	(74,492)	-
Net finance (expense)/income	17	**(1,963,320)**	**4,490,208**	**255,362**	**445,700**
Earnings before tax		**2,673,379**	**4,156,641**	**333,744**	**320,317**
Tax	13	(1,204,029)	-	(57,998)	-
EARNINGS AFTER TAX		**1,469,350**	**4,156,641**	**275,746**	**320,317**
Basic weighted average earnings per share (€ cents)	14	5.48	-	1.88	-
Diluted weighted average earnings per share (€ cents)	14	5.33	-	1.88	-
Distributable earnings per share (€ cents)	14	14.72	-	1.24	-
Headline earnings per share (€ cents)	15	7.76	-	N/A	-
Diluted headline earnings per share (€ cents)	15	7.54	-	N/A	-

* Note 23.

The Directors consider that all results derive from continuing activity.
The notes on pages 26 to 46 form an integral part of these financial statements.

Financial statements (continued)

STATEMENT OF CHANGES IN EQUITY - GROUP	Share capital (€)	Share premium (€)	Share based payments reserve (€)	Currency translation reserve (€)	Retained earnings (€)	Total (€)
Opening balance 23 July 2007	**-**	**-**	**-**	**-**	**-**	**-**
Issue of shares	267,950	53,322,050	-	-	-	53,590,000
• 12,877,200 shares on 23/08/2007	128,772	25,625,628	-	-	-	25,754,400
• 13,917,800 shares on 14/12/2007	139,178	27,696,422	-	-	-	27,835,600
Total recognised income and expense	-	(834,860)	-	22,633	275,746	(536,481)
• currency translation reserve	-	-	-	22,633	-	22,633
• issue costs recognised directly to Equity	-	(834,860)	-	-	-	(834,860)
• profit for the period	-	-	-	-	275,746	275,746
Closing balance 31 December 2007	**267,950**	**52,487,190**	**-**	**22,633**	**275,746**	**53,053,519**
Opening balance 1 January 2008	**267,950**	**52,487,190**	**-**	**22,633**	**275,746**	**53,053,519**
Share based payments reserve	-	-	81,841	-	-	81,841
Dividend distribution	-	-	-	-	(2,426,482)	(2,426,482)
Total recognised income and expense	-	-	-	(780,319)	1,469,350	689,031
• currency translation reserve	-	-	-	(780,319)	-	(780,319)
• profit for the period	-	-	-	-	1,469,350	1,469,350
Closing balance 31 December 2008	**267,950**	**52,487,190**	**81,841**	**(757,686)**	**(681,386)**	**51,397,909**

STATEMENT OF CHANGES IN EQUITY - COMPANY	Share capital (€)	Share premium (€)	Share based payments reserve (€)	Currency translation reserve (€)	Retained earnings (€)	Total (€)
Opening balance 23 July 2007	**-**	**-**	**-**	**-**	**-**	**-**
Issue of shares	267,950	53,322,050	-	-	-	53,590,000
• 12,877,200 shares on 23/08/2007	128,772	25,625,628	-	-	-	25,754,400
• 13,917,800 shares on 14/12/2007	139,178	27,696,422	-	-	-	27,835,600
Total recognised income and expense	-	(834,860)	-	-	320,317	(514,543)
• issue costs recognised directly to Equity	-	(834,860)	-	-	-	(834,860)
• profit for the period	-	-	-	-	320,317	320,317
Closing balance 31 December 2007	**267,950**	**52,487,190**	**-**	**-**	**320,317**	**53,075,457**
Opening balance 1 January 2008	**267,950**	**52,487,190**	**-**	**-**	**320,317**	**53,075,457**
Share based payments reserve	-	-	81,841	-	-	81,841
Dividend distribution	-	-	-	-	(2,426,482)	(2,426,482)
Total recognised income and expense	-	-	-	-	4,156,641	4,156,641
• profit for the period	-	-	-	-	4,156,641	4,156,641
Closing balance 31 December 2008	**267,950**	**52,487,190**	**81,841**	**-**	**2,050,476**	**54,887,457**

The notes on pages 26 to 46 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended:	Group 31 Dec 2008 (€)	Group * 31 Dec 2007 (€)
OPERATING ACTIVITIES		
Earnings after tax	1,469,350	275,746
Adjustments		
Fair value of derivative instruments	570,301	-
Fair value adjustments on investment property	1,671,077	-
Share based payments	81,841	-
Net finance expense	1,963,320	(255,362)
Foreign exchange gain	(1,144,227)	-
Corporate tax charge and deferred tax	1,204,029	57,998
Operating profit before changes in working capital	**5,815,691**	**8,382**
(Increase) in trade and other receivables	(1,219,480)	(142,793)
(Decrease) / Increase in trade and other payables	(430,680)	2,401,978
Interest paid	(839,299)	(74,492)
Interest received	275,930	329,854
Income tax paid	-	(1,231)
CASH FLOWS FROM OPERATING ACTIVITIES	**3,602,162**	**2,591,698**
INVESTING ACTIVITIES		
Acquisition of investment property	(22,465,661)	(21,718,364)
Payments for acquisition of subsidiaries less cash acquired	(27,198,062)	-
CASH FLOWS FROM INVESTING ACTIVITIES	**(49,663,723)**	**(21,718,364)**
FINANCING ACTIVITIES		
Proceeds from share issuance	-	52,755,140
Proceeds from bank borrowings	20,348,000	-
Repayment of borrowings	(1,177,853)	-
Payment of dividends	(2,426,482)	-
CASH FLOWS FROM FINANCING ACTIVITIES	**16,743,665**	**52,755,140**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(29,317,896)**	**33,628,474**
Cash and cash equivalents brought forward	33,651,107	-
Translation effect on cash and cash equivalents	85,636	22,633
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**4,418,847**	**33,651,107**

* Note 23.

The notes on pages 26 to 46 form an integral part of these financial statements.

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 is listed on the AIM market of the London Stock Exchange. The Group includes the Company and its wholly owned subsidiaries as set out under "Basis of consolidation" in note 2.3 below.

2. ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

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

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

2.2 STATEMENT OF COMPLIANCE

The annual financial statements have been consistently prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board and the requirements of relevant Isle of Man company law.

2.3 BASIS OF CONSOLIDATION

Subsidiaries

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

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

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

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

Transactions eliminated on consolidation

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

Jointly-controlled operations

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

2.4 INVESTMENT PROPERTY

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

The cost of investment property 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 the 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 transferred to a non-distributable reserve in the statement of changes in equity. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve to the extent that the decrease does not exceed the amount held in the non-distributable reserve.

2.5 GOODWILL

Goodwill arises on acquisition of subsidiaries and joint ventures. Goodwill represents the amount paid in excess over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity. When the excess is negative (negative goodwill) it is recognised directly in the income statement.

SUBSEQUENT MEASUREMENT

Goodwill is measured at cost less accumulated impairment losses.

2.6 FINANCIAL INSTRUMENTS

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

2.6.1 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 is set out 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 balance sheet date, with changes therein recognised directly in equity.
Trade and other receivables	Stated at amortised cost using the effective interest rate method net of impairment losses.
Trade and other payables	Carried at amortised cost using the effective interest rate method.
Financial liabilities	Non-derivative financial liabilities, not at fair value through profit and loss, are measured at amortised cost using the effective interest rate method.
Derivative financial instruments	Carried at fair value with changes therein recognised in profit or loss. Hedge accounting is not applied.

2.6.2 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;
- the Group or Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

FINANCIAL LIABILITIES

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

2.6.3 OFFSET

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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.

2.7 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.

2.8 SHARE CAPITAL AND SHARE PREMIUM
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, are shown as a deduction in equity from the proceeds.

2.9 SHARE BASED PAYMENT
The fair value of shares granted to key individuals 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).

2.10 OTHER RESERVES
2.10.1 SHARE BASED PAYMENT RESERVE
The fair value of shares granted to key individuals is recognised in equity, as explained in note 2.9.

2.10.2 CURRENCY TRANSLATION RESERVES
The 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.

2.10.3 RETAINED EARNINGS
The balance on the Income Statement is transferred to retained earnings at the end of each financial period.

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

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

2.13 DIVIDEND / DISTRIBUTION INCOME
Dividend/distribution income is recognised in the Income Statement on the date the Group or Company's right to receive payment is established.

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

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

Deferred tax is provided using the Balance Sheet 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 Balance Sheet date.

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

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

The tax expense incurred by the Group reflects income tax incurred on profits from operations in the subsidiary in the Netherlands Antilles and deferred tax accrued in the Romanian subsidiaries of the Group.

2.15 SEGMENTAL REPORTING
Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses and income tax assets and liabilities.

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

2.16 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.

2.17 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 are determined by adjusting the profit for the year and the weighted average number of shares in issue for the effects of all potentially dilutive ordinary shares, which comprise the share incentive scheme shares.

2.18 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 Investment Advisor share incentive scheme and other adjustments that the board may consider necessary) for the period by the number of shares in issue at the end of the period.

2.19 HEADLINE EARNINGS PER SHARE

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

2.20 FOREIGN EXCHANGE

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

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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.

Subsidiaries and joint ventures (country of incorporation) As at 31 December 2008	Incorporation / Date became subsidiary or joint venture	Principal activity	Effective interest 31 Dec 2008	Effective Investment (€) 31 Dec 2008	Amount owing by direct subsidiary or joint venture (€) 31 Dec 2008
New Europe Property (BVI) Limited (British Virgin Islands)	Jul 2007	holding company	100%	less than €1	51,555,471
New Europe Property NV (Netherlands Antilles)	Sep 2007	holding company	100%	2,000	-
NE Property Cooperatief U.A. (Netherlands)	Oct 2007	holding company	100%	10,000	-
Nepi Bucharest One S.R.L. (Romania)	Sep 2007	investment vehicle	100%	3,844,554	-
Nepi Bucharest Two S.R.L. (Romania)	Dec 2007	investment vehicle	100%	2,755,554	-
General Investment S.R.L (Romania)	Mar 2003 / Jan 2008	investment vehicle	100%	25,792,431	-
General Building Management S.R.L. (Romania)	Aug 2004 / Jan 2008	investment vehicle	100%	1,405,631	-
CIREF NEPI Holdings Limited (Cyprus)	Apr 2008 / Apr2008	holding company	50%	less than €1	-
CIREF Europe Management Limited (Ireland)	Dec 2007 / Apr 2008	holding company	50%	less than €1	-
Premium Portfolio Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	investment vehicle	50%	less than €1	-
Premium Portfolio 2 Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	investment vehicle	50%	less than €1	-

Subsidiaries (country of incorporation) As at 31 December 2007	Incorporation / Date became subsidiary or joint venture	Principal activity	Effective interest 31 Dec 2007	Effective Investment (€) 31 Dec 2007	Amount owing by direct subsidiary or joint venture (€) 31 Dec 2007
New Europe Property (BVI) Limited (British Virgin Islands)	Jul 2007	holding company	100%	less than €1	52,777,774
New Europe Property NV (Netherlands Antilles)	Sep 2007	holding company	100%	2,000	-
NE Property Cooperatief U.A. (Netherlands)	Oct 2007	holding company	100%	10,000	-
Nepi Bucharest One S.R.L. (Romania)	Sep 2007	investment vehicle	100%	3,844,554	-
Nepi Bucharest Two S.R.L. (Romania)	Dec 2007	investment vehicle	100%	2,755,554	-

The amounts owing by subsidiaries and joint ventures are unsecured, bear interest at rates agreed from time to time and terms of repayment have not been determined.

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk,
- currency risk, and
- interest rate risk.

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

The Board 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 Audit Committee. The Committee reports to the Board of Directors on its activities. The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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

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

4.1 CREDIT RISK

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

TRADE AND OTHER RECEIVABLES

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

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. When available, the Group's review includes external ratings.
Trade and other receivables relate mainly to the Group's tenants and deposits with municipalities. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties.

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

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

	Group 2008 (€)	Group 2007 (€)
Tenant receivables	611,324	142,793
VAT recoverable	517,815	-
Cash and cash equivalents	4,418,847	33,651,107
TOTAL	**5,547,986**	**33,793,900**

The ageing of all trade receivables at the reporting date was less than 60 days and all are assessed as being low risk.

Aging of trade receivables/ Past due but not impaired:

	Group 2008 (€)	Group 2007 (€)
0-30 days	455,057	135,554
30-60 days	115,790	7,238
60-90 days	40,477	-
TOTAL	**611,324**	**142,793**

4.2 LIQUIDITY RISK

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

The Group receives rental income on a monthly basis. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The contractual cash flows of financial liabilities are considered to be equal to the carrying amount. The contractual maturities of financial liabilities are all considered to be within six months or less.

4.3 MARKET RISK

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

There is a risk that a relative lack of market evidence means property valuations may be based on sentiment rather than current prices. Given the lack of activity, current prices may be considered by the valuers to be driven by forced sellers and those not needing to sell might achieve a higher price with an orderly sale over a period of time. However, there is also evidence that even orderly sellers might accept lower prices than 'market' on the grounds that an orderly sale process takes time and prices are expected to fall in the first half of 2009.

4.4 CURRENCY RISK

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Group which is euro. The currencies giving rise to this risk are Romanian New Leu ("RON") and Great Britain Pound ("GBP").

The Group does not hedge the monthly payments denominated in foreign currencies. In respect of monetary assets and liabilities held in currencies other than €, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

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

COMPANY'S FOREIGN CURRENCY EXPOSURE

	RON exposure Group 31 Dec 2008 (€)	GBP exposure Group 31 Dec 2008 (€)	RON exposure Group 31 Dec 2007 (€)	GBP exposure Group 31 Dec 2007 (€)
Trade and other receivables	853,761	-	110,374	-
Cash and cash equivalents	859,184	-	3,950	2,040
Trade and other payables	(270,825)	(65,010)	(374,226)	(44,159)
BALANCE SHEET EXPOSURE	**1,442,120**	**(65,010)**	**(259,902)**	**(42,119)**

	Average rate 2008	Average rate 2007	Reporting date spot rate 31 Dec 2008	Reporting date spot rate 31 Dec 2007
RON / €	3.6827	3.3337	3.9852	3.6102
GBP / €	0.7449	0.6835	0.9680	0.7353

SENSITIVITY ANALYSIS

A 10 percent strengthening of the € against the RON and GBP at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

	Equity (€) 31 Dec 2008	Profit or Loss (€) 31 Dec 2008	Equity (€) 31 Dec 2007	Profit or Loss (€) 31 Dec 2007
RON	(131,102)	-	7,199	-
GBP	5,910	5,910	5,728	5,728

4.5 INTEREST RATE RISK

The Group is subject to interest rate risk on loans and cash balances held. At the reporting date, the interest rate profile of the Group's interest bearing financial assets and liabilities 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 2008 the Group held an interest rate swap and an interest rate cap as further disclosed in note 11. The interest bearing loans and borrowings bear interest rates as disclosed in Note 11.

	Group 31 Dec 2008 (€)	Interest rate
Cash in bank	2,323,736	-
Overnight deposit	792,125	6.75%
Security deposit	1,301,407	3.25%
Petty cash	1,579	-
Credit facility in relation to the Rasnov Industrial Facility	(4,593,000)	3.52%
Credit facility in relation to the Flanco Portfolio	(1,100,000)	2.63%
TOTAL	**(1,274,153)**	**-**

	Group, 31 Dec 2007 (€)	Interest rate
Cash	951,107	-
Cash deposit	32,700,000	4.89%
TOTAL	**33,651,107**	**-**

SENSITIVITY ANALYSIS FOR INTEREST BEARING FINANCIAL INSTRUMENTS

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 December 2008	Profit or loss 100bp increase (€)	Profit or loss 100bp decrease (€)	Equity 100bp increase (€)	Equity 100bp increase (€)
Cash in bank	-	-	-	-
Overnight deposit	7,921	(7,921)	7,921	(7,921)
Security deposit	13,014	(13,014)	13,014	(13,014)
Petty cash	-	-	-	-
Credit facility in relation to the Rasnov Industrial Facility	(45,930)	45,930	(45,930)	45,930
Credit facility in relation to the Flanco Portfolio	(11,000)	11,000	(11,000)	11,000
TOTAL	**(35,995)**	**35,995**	**(35,995)**	**35,995**

31 December 2007	Profit or loss 100bp increase (€)	Profit or loss 100bp decrease (€)	Equity 100bp increase (€)	Equity 100bp increase (€)
Cash and cash equivalents	76,930	(76,930)	76,930	(76,930)

5. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base of equity so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board 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.

6. INVESTMENT PROPERTY

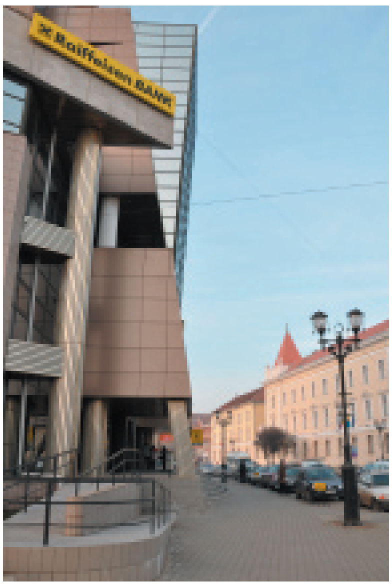
Movement in investment property is as follows:	Group 31 Dec 2008 (€)	Group 31 Dec 2007 (€)
Carrying value at beginning of period	21,718,364	-
Additions from business combination	36,473,582	-
Assets under development acquired through business combination	6,514,666	-
Additions	22,106,635	21,718,364
Fair value adjustment	(1,671,077)	-
CARRYING VALUE AT PERIOD END	**85,142,170**	**21,718,364**

Investment property is carried at fair value which is assessed on an annual basis. The Group obtained independent appraisal reports from DTZ Echinox Consultanta S.R.L and Dr Lubke GmbH which are members of RICS (Royal Institution of Chartered Surveyors). The fair value of investment property is based on the year end appraisal reports except for the Constanta property for which the put option value is deemed to be the fair value. The Group has the right to sell the Constanta property back to the seller (in the form of a put option on the Constanta property). It is estimated that the sale will be concluded by the end of May 2009 for a price of €5,764,300.

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 two buildings under refurbishment in Constanta and Brasov, part of the portfolio held by General Investment S.R.L.

The Group's investment properties at the end of the reporting period included office, retail and industrial properties and an immaterial amount of residential property in Germany.

A register of investment property is included on page 48 of the annual report.



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7. GOODWILL

The Group acquired two subsidiaries (General Investment S.R.L. and General Building Management S.R.L.) with effect from 1 January 2008. The total consideration paid in cash amounted to €28,212,078.

At the acquisition date, the investment property held by the two acquired companies was adjusted to reflect its fair value, which was determined as follows:

- capitalisation of net operating rental income generated by the rented space to Raiffeisen Bank S.A. (based on rents payable under the existing lease agreements) at a yield of 7.5%;
- capitalisation of net operating rental income generated by the rented space to other tenants (based on rents payable under the existing lease agreements) at a yield of 8%;
- capitalisation of 75% of the potential operating rental income generated by the vacant spaces (based on market rents) at an average yield of 8%.

The acquisition had the following effect on the Group's assets:

	Recognised values on acquisition (€)	Fair value adjustments (€)	Pre-acquisition carrying amounts (€)
Investment property	36,473,582	15,429,654	21,043,928
Investment property under development	6,165,001	2,428,510	3,736,491
Trade and other receivables	399,158	-	399,158
Cash and cash equivalents	1,014,015	(682,382)	1,696,397
Provisions for risk and charges	-	429,926	(429,926)
Property revaluation reserve	-	6,651,633	(6,651,633)
Interest bearing borrowings	(14,043,065)	-	(14,043,065)
Deferred tax liabilities	(2,886,859)	(2,886,859)	-
Tenant deposits	(84,521)	-	(84,521)
Accounts payable	(1,211,696)	(62,874)	(1,148,822)
Net identifiable assets and liabilities	25,825,615	21,307,608	4,518,007
Goodwill on acquisition	2,386,463		
Consideration paid satisfied in cash	28,212,078		
Cash acquired	(1,014,016)		
NET CASH OUTFLOW ON ACQUISITION DATE	**27,198,062**		

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

At the acquisition of General Investment S.R.L. ("GI") and General Building Management S.R.L. ("GBM") goodwill resulted as the share purchase price exceeded the net asset values of the companies. The deferred tax recognised on the balance sheets of the acquired companies lowered their net asset values to a value below the shares' acquisition price.

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

The properties' revaluation by DTZ Echinox Consulting S.R.L. as at 31 December 2008 did not result in a devaluation of the property portfolio of GI and GBM and as a result the deferred tax liability did not decrease. As the board maintains its view that the deferred tax is unlikely to be realised, the goodwill should be maintained as it does not exceed the deferred tax.

8. TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2008 (€)	Company 31 Dec 2008 (€)	Group 31 Dec 2007 (€)	Company 31 Dec 2007 (€)
Tenant receivables	611,324	-	142,793	-
Interest receivable	-	3,350,191	-	148,264
Deferred borrowing costs	119,535	-	-	-
Advance payments	123,959	-	-	-
Prepaid property expenses	107,342	-	-	-
Deferred JSE listing costs	134,866	-	-	-
VAT receivable	646,113	-	-	-
Other receivables	28,217	39,739	-	-
CARRYING VALUE AT PERIOD END	**1,771,356**	**3,389,930**	**142,793**	**148,264**

9. SHARE CAPITAL AND SHARE PREMIUM

	Share capital €0.01/share	Share premium (€)
Authorised on 23 August 2007: 150,000,000 ordinary shares of €0.01 each	1,500,000	-
Issued during the year: 26,795,000 ordinary shares at €0.01 each *	267,950	53,322,050
Listing cost	-	(834,860)
BROUGHT FORWARD FROM 31 DECEMBER 2007	**267,950**	**52,487,190**
CARRIED FORWARD AS AT 31 DECEMBER 2008	**267,950**	**52,487,190**

* The issued share capital figure presented excludes shares issued in terms of the share incentive scheme set out in note 10.

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

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10. SHARE BASED PAYMENTS

On 6 June 2008 the Company implemented a share incentive scheme that entitles key individuals of the Investment Advisor to acquire shares in the Company.

The purpose of the scheme is to align the interests of directors and key individuals of the Investment Advisor with those of 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 on the shares. 20 percent of the shares initially subscribed for by each participant vest annually.

The Company offers to each participant the 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 Group 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. 1,355,000 shares were issued as part of the share based payments scheme, at a price of €2.18 each. There were no shares in issue at the end of the previous financial year and there were approximately 35,000 shares available for issue in terms of the share incentive scheme as at 31 December 2008.

The Company is entitled to interest of €100,807 in respect of the loans granted to participants using the Group's weighted average cost of debt capital. The accrued interest will be settled from dividend distributions and was not accrued in the Income Statement.

ASSUMPTIONS USED IN RELATION TO THE SHARES ISSUED PURSUANT TO THE SCHEME	June 6, 2008
Fair value at grant date (per share)	€0.451
Share price at grant date	€2.25
Weighted average exercise price	€2.18
Expected volatility (weighted average)	10%
Expected dividend	0.07%
Option life	5 years
Risk free interest rate (based on government bond)	4.79%

11. LOANS AND BORROWINGS

During the period, the Group contracted bank loan facilities for the Premium and Flanco portfolios and the Rasnov Industrial Facility for an aggregate amount of €28,895,000. Of that amount, €9,207,000 was available for draw-down as at 31 December 2008. In relation to the Raiffeisen Portfolio, a loan in amount of €15,000,000 has been taken over as a result of the acquisition of General Investment S.R.L. and General Building Management S.R.L.

The facility agreements concluded in relation to the Premium Portfolio bear interest at a fixed rate of 5.17 percent as a result of an interest rate swap concluded with the respective bank fixing the reference rate of the loan.

The facility agreements concluded in relation to the Flanco Portfolio and Rasnov Industrial Facility bear interest at a floating rate of one month Euribor plus 1.9 percent p.a. and 2.5 percent p.a., respectively. The Group has capped its Euribor interest rate risk to 4.7 percent by purchasing a derivative financial instrument to cover a notional amount of €7.6 million related to floating interest rate loan facilities concluded in relation to the Flanco Portfolio and Rasnov Industrial Facility. As of 31 December 2008 the fair value of the derivative financial instrument amounted to €5,002.

The Raiffeisen Portfolio loan bears interest at a fixed rate of 6.23 percent per annum.

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

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

Loans and borrowings	Due within 1 year (€)	Due within 2-5 years (€)	Due after 5 years (€)
Flanco Portfolio and Rasnov Industrial Facility revolving credit facilities	-	5,693,000	-
Premium Portfolio bank loan	140,135	13,873,374	-
Raiffeisen Portfolio	1,096,063	4,149,213	8,181,936
Vendor finance	-	853,281	-
Accrued interest on Flanco Portfolio and Rasnov Industrial Facility revolving credit facilities	22,362	-	-
Accrued interest on Premium Portfolio loan	386,536	-	-
Accrued interest on Raiffeisen Portfolio loan	213,615	-	-
Accrued interest on vendor finance	3,647	-	-
TOTAL	**1,862,358**	**24,568,868**	**8,181,936**

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

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

Covenants:

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

The Flanco Portfolio and Rasnov Industrial Facility loans have been secured as follows:

- Mortgage over the land and building located in Rasnov and the land and buildings in the Flanco portfolio;
- Pledge agreement over the bank accounts of Nepi Bucharest One S.R.L. and Nepi Bucharest Two S.R.L opened with the respective bank;
- Real movable security over the shares of Nepi Bucharest One S.R.L. and Nepi Bucharest Two S.R.L;
- Corporate guarantee issued by the Company.

Covenants:

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

12. TRADE AND OTHER PAYABLES

	Group 31 Dec 2008 (€)	Company 31 Dec 2008 (€)	Group 31 Dec 2007 (€)	Company 31 Dec 2007 (€)
Payable for assets under construction	344,730	-	2,139,139	-
Property related payables	109,109	-	147,492	-
Advances from tenants	771,235	-	73,410	-
Administrative and secretarial accrued expenses	245,055	-	-	-
Accrued management fee	220,591	-	33,804	-
Taxes and other related liabilities	-	-	(9,622)	-
Tenant deposit	1,558,708	-	17,755	-
Payments received in advance other than rent	18,654	-	-	-
Other payables and accrued expenses	-	66,048	-	96,134
TOTAL	**3,268,082**	**66,048**	**2,401,978**	**96,134**

13. CORPORATE TAX EXPENSE AND DEFERRED TAX

	Group 31 Dec 2008 (€)	Group 31 Dec 2007 (€)
Current year tax	-	1,231
Deferred tax expense	1,204,029	56,767
TAX EXPENSE	**1,204,029**	**57,998**
Deferred tax acquired in business combinations	2,886,859	-
Effect of translation differences	(278,273)	-
Deferred tax brought forward	56,767	-
DEFERRED TAX CARRIED FORWARD	**3,869,382**	**56,767**

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

RECONCILIATION OF TAX RATE

	Group 31 Dec 2008 (€)	Group 31 Dec 2007 (€)
Profit before tax	1,469,350	333,744
Isle of Man income tax at 0%	-	-
Effect of higher rates on overseas earnings	-	1,231
Total charge per income statement	-	1,231
EFFECTIVE TAX RATE	**0.0%**	**0.4%**

Flanco
Brasov

Galati
Raiffeisen Bank

14. EARNINGS PER SHARE

The calculation of basic earnings per share as at 31 Dec 2008 was based on the profit attributable to ordinary equity holders of €1,469,350 (2007: €275,746) and the number of 26,795,000 (2007: 14,686,514) ordinary shares in issue during the period (excluding the share incentive scheme shares).

The calculation of diluted earnings per share as at 31 December 2008 was based on the profit attributable to ordinary equity holders of €1,469,350 (2007: €275,746) and the weighted average number of 27,568,206 (2007: 14,686,514) ordinary shares in issue during the period (including the share incentive scheme shares).

The calculation of distributable earnings per share was based on earnings after tax adjusted as shown in the table below to arrive at the distributable earnings of €4,144,943 (2007: €332,513) and the number of shares in issue at 31 Dec 2008.

	Group 31 Dec 2008 (€)	Group 31 Dec 2007 (€)
Earnings after tax	1,469,350	275,746
Unrealised foreign exchange gains	(1,144,227)	-
Share based payment fair value	81,841	-
Interest receivable from key employees	100,807	-
Fair value adjustments on investment property	1,671,077	-
Net change in fair value of financial assets and liabilities	699,301	-
Amortisation of the premium paid for derivative instrument	(24,963)	-
Share issue cum distribution	87,728	-
Deferred tax expense /(income)	1,204,029	56,767
DISTRIBUTABLE EARNINGS	**4,144,943**	**332,513**
Number of shares in issue at end of period	28,150,000	26,795,000
DISTRIBUTABLE EARNINGS PER SHARE (€ CENTS)	**14.72**	**1.24**

Date	Event	Number of shares	% Of period	Weighted average
01/01/2008	existing shares	26,795,000	43.01%	11,525,521
06/06/2008	share issue [1]	28,150,000	56.99%	16,042,685
31/12/2008	period end	-	-	27,568,206

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

15. HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share as at 31 December 2008 was based on headline earnings of €2,078,041 and the weighted average number of 26,795,000 ordinary shares in issue during the period (excluding the share incentive scheme shares).

The calculation of diluted headline earnings per share as at 31 December 2008 was based on headline earnings of €2,078,041 and the weighted average number of 27,568,206 ordinary shares in issue during the period (including the share incentive scheme shares).

Group, 31 Dec 2008 (€)	Gross	Net
Distributable Earnings	4,144,943	4,144,943
Interest receivable from key employees	(100,807)	(100,807)
Deferred tax	(1,204,029)	(1,204,029)
Amortisation of the premium paid for derivative instrument	24,963	24,963
Net change in fair value of financial assets and liabilities	(699,301)	(699,301)
Share issue cum distribution	(87,728)	(87,728)
HEADLINE EARNINGS	**2,078,041**	**2,078,041**

16. NET ASSET VALUE PER SHARE

	Group 31 Dec 2008 (€)	Group 31 Dec 2007 (€)
Net asset value in balance sheet	51,397,909	53,053,519
Value of loans in relation to share incentive scheme shares issued	2,953,900	-
Deferred tax	3,869,382	56,767
Goodwill	(2,386,463)	-
ADJUSTED NET ASSET VALUE	**55,834,728**	**53,110,286**
Number of shares in issue at end of period	28,150,000	26,795,000
NET ASSET VALUE PER SHARE (26,795,000 shares)	**1.92**	**1.98**
ADJUSTED NET ASSET VALUE PER SHARE	**1.98**	**1.98**

Moelln
Germany

17. NET FINANCIAL ITEMS

	Group 31 Dec 2008 (€)	Group 31 Dec 2007 (€)
Interest income on bank deposits	275,930	329,854
Finance income	275,930	329,854
Interest expense on financial liabilities measured at amortised cost	(1,539,949)	(74,492)
Net changes of financial instruments at fair value through profit or loss	(699,301)	-
Finance expense	(2,239,250)	(74,492)
NET FINANCE (EXPENSE)/INCOME RECOGNISED IN INCOME STATEMENT	**(1,963,320)**	**255,362**

	Company 31 Dec 2008 (€)	Company 31 Dec 2007 (€)
Interest income on bank deposits	2,390	299,302
Interest income from subsidiary	4,487,818	146,398
Finance income	4,490,208	445,700
Finance expense	-	-
NET FINANCE INCOME RECOGNISED IN INCOME STATEMENT	**4,490,208**	**445,700**

18. SEGMENT REPORTING

The Group operates only one business segment, which is the rental of commercial property. As the rental income derived during the period from rental of residential units accounts for less than 1 percent of total gross rental income, this does not represent a separate business segment.

On a primary basis, the Group operates in the following geographical areas of Europe: Romania and Germany.

The Group's primary format for segmental reporting is based on geographic segments. The above geographic areas represent separate geographic segments. From 15 April 2008, the Group commenced operations in a second geographic segment as a result of its joint acquisition of six properties in Germany. The Group's segmental revenue and results for the period are presented below.

Frankfurt
Germany

18. SEGMENT REPORTING (continued)

	Romania 2008 (€)	Germany 2008 (€)	Consolidated 2008 (€)
Recoveries and contractual rental income	6,722,272	991,214	7,713,486
Property operating expenses	(1,237,952)	(160,351)	(1,398,303)
Foreign exchange gain	1,144,227	-	1,144,227
Fair value adjustments	27,260	(1,698,337)	(1,671,077)
SEGMENT RESULT	**6,655,807**	**(867,474)**	**5,788,333**
Share based payments	-	-	(81,841)
Investment Advisor management fee	-	-	(571,137)
Administrative expenses	-	-	(498,656)
Finance income	-	-	275,930
Finance expense	-	-	(2,239,250)
Deferred tax expense	-	-	(1,204,029)
NET PROFIT FOR THE PERIOD	**-**	**-**	**1,469,350**
Segment assets	69,583,998	22,291,907	91,875,905
Unallocated assets	-	-	1,847,933
TOTAL ASSETS	**69,583,998**	**22,291,907**	**93,723,838**
Segment liabilities	22,279,425	15,266,370	37,545,795
Unallocated liabilities	-	-	4,780,134
TOTAL LIABILITIES	**22,279,425**	**15,266,370**	**42,325,929**

19. CONTINGENT ASSETS AND LIABILITIES

The Group had outstanding payment obligations to Hi-Lo in respect of the 3,400 square meters of vacant space at the Rasnov Industrial facility, obligations which were dependent on a number of items, including the completion by Hi-Lo of the refurbishment of the vacant space by 12 December 2008 and the introduction of an acceptable tenant by the same date. Hi-Lo was acquired by Constructor Group AS and proposed that a subsidiary of its new parent company rent the vacant space and proposed a final payment of €2,351,613 subject to finalising an acceptable lease agreement on this basis.

In addition, Hi-Lo notified the Group of the completion of the renovation on 11 December 2008. The Group commissioned an independent inspection of the vacant space on 12 December 2008 and found that the renovation was not complete. It commissioned a second independent review on 16 December 2008 that confirmed the first inspection. It is not clear when the renovation will be complete and when the vacant space will be ready for occupation. The Group has been advised that the consequence of the non-completion is that no further payments are due to Hi-Lo in respect of the property and has consequently not provided for further payments to Hi-Lo.

GUARANTEES

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

The Company issued two corporate letters of guarantee to Nepi Bucharest One S.R.L. and Nepi Bucharest Two S.R.L. in relation to the Flanco Portfolio and Rasnov Industrial Facility credit facilities (see note 12).

20. OPERATING LEASE RENTALS

Contractual rental income from tenants is detailed in the table below.

	Group, 31 Dec 2008 (€)	Group, 31 Dec 2007 (€)
Within one year	7,467,409	2,119,063
Within two to five years	22,651,253	8,864,610
More than five years	12,697,626	12,040,281

21. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Baia Mare

Slatina
Raiffeisen Bank

22. 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 the back cover of this report. The Directors are set out on pages 6 and 7.

Material related party transactions

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

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

DIRECTOR	Payment for 2008 (€)	Payment for 2007 (€)
Peter Francis Gray - Non-executive Chairman	29,389	13,037
Des de Beer - Non-executive Director	3,349	N/A
Michael John Mills - Non-executive Director	22,516	10,665
Dewald Lambertus Joubert - Non-executive Director	25,125 (1)	10,665
Martin Johannes Christoffel Slabbert - Non-executive Director	- (2)	- (2)
Corneliu Dan Pascariu - Non-executive Director	22,516	2,040

(1) Includes VAT of €2,609 in relation to 2008.
(2) Mr. Slabbert is an executive director of the Investment Advisor and does not receive a salary or directors' fee from NEPI.

As part of the Investment Advisor share incentive scheme, 600,000 shares were issued to an entity in which Martin Slabbert has an indirect interest as a beneficiary via a trust arrangement, and these shares were at year end in the process of being transferred to a trustee that will hold the respective shares on an unallocated basis. No other directors were awarded shares as part of the Investment Advisor share incentive scheme.

Fees paid to the Investment Advisor amounted to €571,137 for the period ended 31 December 2008.

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

23. COMPARATIVE PERIOD

The comparative period is the period from 23 July 2007 (date of incorporation) to 31 December 2007.

24. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Amendment to IFRS 2 Share-based Payment (effective from 1 January 2009)

The Group has not yet determined the potential effect of the amendment.

Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009)

As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.

IFRS 8 Operating Segments (effective from 1 January 2009)

The Standard will have no effect on the profit or loss or equity. However, the Group expects the new Standard to significantly alter the presentation and disclosure of its operating segments in the consolidated financial statements.

Revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009)

The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

Revised IAS 23 Borrowing Costs (effective from 1 January 2009)

The Group has not yet completed its analysis of the impact of the revised Standard.

Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

Revised IAS 27 is not relevant to the Group's operations as the Group does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

Amendments to IAS 32 Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The amendments are not relevant to the Group's financial statements as none of the Group entities have in the past issued puttable instruments that would be affected by the amendments.

Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009)

The amendments to IAS 39 are not relevant to the Group's operations as the Group does not apply hedge accounting.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)

The Group does not expect the Interpretation to have any impact on the consolidated financial statements.

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)

IFRIC 15 is not relevant to the Group's operations as the Group does not provide real estate construction services or develop real estate for sale.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)

IFRIC 16 is not relevant to the Group's operations as the Group has not designated any hedges of a net investment in a foreign operation

IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 15 July 2009)

As the Interpretation is applicable only from the date of application, it will not impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders it is not possible to determine the effects of application in advance.

25. SUBSEQUENT EVENTS

The Group has the right, in the form of a put option, to sell back the Constanta property to the vendor. The Group has exercised this option and expects payment by May 2009.

Shareholders

9,847,500 or 35 percent of NEPI's shares were in public hands as at 31 December 2008. Non-public shareholding as at 31 December 2008 are set out in the table below.

NON-PUBLIC SHAREHOLDING AS AT 31 DECEMBER 2008

	Beneficially held	%
Related parties	16,947,500	60.2
Shares issued in terms of the Investment Advisor incentive scheme	1,355,000	4.8
TOTAL	**18,302,500**	**65.0**

Shareholders that held more than 5% of the issued share capital in the Company as at 31 December 2008 are set out in the table below.

MAJOR SHAREHOLDERS AT 31 DECEMBER 2008

	Shares held	Proportion of issued shares
Diversified Properties 2 (Pty) Ltd	7,392,500	26.26%
Capital Property Fund	6,155,000	21.87%
The Suni Trust	1,725,000	6.13%
Optimprops 3 (Pty) Ltd	1,477,500	5.25%
Cobernet Properties (Pty) Ltd	1,477,500	5.25%
RCG Trade & Finance (Pty) Ltd	1,477,500	5.25%
Chataprop Holdings 50 (Pty) Ltd	1,477,500	5.25%

NEPI does not have a controlling shareholder, but it should be noted that Capital Property Fund is managed by Property Fund Managers Ltd. which is wholly owned by Diversified Properties.

Alexandria
Raiffeisen Bank

Iasi
Piraeus
Bank

Register of investment properties

FLANCO PORTFOLIO

Property Name	Property Address	Region	Sector	Weighted average rental per m²	Rentable area (m²)	Vacancy (%)	Acquisition cost (€)	Valuation (€)	Difference between valuation amount and acquisition cost (€)
Bucharest	23 Boulevard Regina Elisabeta at the junction with 2-4 Beldiman Street, Bucharest District 5	Bucharest	Retail	56.30	838	-	5,212,403	5,950,000	737,597
Bacau	Store 48, 5 Nicolae Balcescu Street, block 5, Entrance A, Ground Floor, Bacau, Bacau County	Bacau	Retail/ Office	41.47	150	-	698,084	710,000	11,916
Iasi	4 Strapungerii Stefan cel Mare Street, Building 3, Iasi, Iasi County	Iasi	Retail/ Office	37.27	193	-	836,754	870,000	33,246
Brasov	105 Calea Bucharest Street, Brasov, Brasov County	Brasov	Retail	9.74	3,380	-	5,054,973	5,170,000	115,063
TOTAL					**4,561**		**11,802,179**	**12,700,000**	**897,821**

RASNOV INDUSTRIAL FACILITY

Property Name	Property Address	Region	Sector	Weighted average rental per m²	Rentable area (m²)	Vacancy (%)	Acquisition cost (€)	Valuation (€)	Difference between valuation amount and acquisition cost (€)
Rasnov Industrial Facility	1A Campului Street, Rasnov, Brasov County	Rasnov	Industrial	4.02	23,040	15	13,404,198	12,900,000	(504,198)

Register of investment properties (continued)

RAIFFEISEN PORTFOLIO [1]

Property Name	Property Address	Region	Sector	Weighted average rental per m²	Rentable area (m²)	Vacancy (%)	Valuation (€)
Alba Iulia	29 I.C. Bratianu Street, Alba Iulia	Alba Iulia	Retail/Office	7.03	2,367	32	1,850,000
Alexandria	63 Al. Colfescu Avenue, Alexandria	Alexandria	Retail/Office	7.00	975	-	810,000
Baia Mare	18 Unirii Street, Baia Mare	Baia Mare	Retail/Office	6.58	2,406	24	1,930,000
Brasov	3 M. Kogalniceanu Street, Brasov	Brasov	Retail/Office	7.07	6,719	57	6,870,000
Buzau	2 N. Balcescu Street, Buzau	Buzau	Retail/Office	6.65	2,423	11	2,040,000
Calarasi	27 Progresului Street, Calarasi	Calarasi	Retail/Office	6.29	1,422	-	1,200,000
Constanta [2]	51 Traian Street, Constanta	Constanta	Retail/Office	6.59	6,796	28	6,720,000
Craiova	15b Fratii Buzesti Street, Craiova	Craiova	Retail/Office	7.02	2,486	8	2,740,000
Deva	18 Iuliu Maniu Street, Deva	Deva	Retail/Office	7.04	1,860	-	1,680,000
Galati	31 Brailei Street, Galati	Galati	Retail/Office	6.91	2,815	34	2,840,000
Resita	4, 1 Decembrie 1918 Street, Resita	Resita	Retail/Office	7.01	1,322	-	1,170,000
Sfintu Gheorghe	33-37, 1 Decembrie 1918 Street, Sfintu Gheorghe	Sfintu Gheorghe	Retail/Office	6.88	2,349	18	1,860,000
Sibiu	69, 1 Decembrie 1918 Street, Sibiu	Sibiu	Retail/Office	12.76	900	-	1,170,000
Slatina	1 T. Vladimirescu Street, Slatina	Slatina	Retail/Office	6.87	2,767	31	1,990,000
Slobozia	13 Chimiei Street, Slobozia	Slobozia	Retail/Office	6.33	1,908	8	1,410,000
Targoviste	227 Calea Domneasca Street, Targoviste	Targoviste	Retail/Office	6.26	2,371	28	1,830,000
Tirgu Mures	2 Bolyai Street, Tirgu Mures	Tirgu Mures	Retail/Office	8.67	2,034	62	1,680,000
Zalau	19 Unirii Street, Zalau	Zalau	Retail/Office	13.46	3,460	73	3,840,000
TOTAL					**47,380**		**43,630,000**

(1) Individual property acquisition values are not available since the Group purchased the properties through the acquisition of shares. The acquisition price for the Raiffeisen portfolio was €41,811,279 resulting in a net fair value gain of €1,818,721[2] as at 31 December 2008.

(2) For accounting purposes, the fair value of the Constanta property was assumed to be equal to the option exercise price of €5,764,300.

Register of investment properties (continued)

PREMIUM PORTFOLIO*

Property Name	Property Address	Region	Sector	Weighted average rental per m²	Rentable area (m²)	Vacancy (%)	Acquisition cost (€)	Valuation (€)	Difference between valuation amount and acquisition cost (€)
Leipzig	Mockauerstrasse 123, 04357 Leipzig	Leipzig	Retail	10.41	5,864	-	9,367,030	8,959,900	(407,130)
Munich	Silberhornstrasse 7 + Tegernseer Platz 5, 81541 München	Munich	Office / medical suites	14.34	2,027	4	7,118,652	6,210,100	(908,552)
Moelln	Wasserkrüger Way 127a + b, 23879 Mölln	Moelln	Retail	6.01	5,510	6	5,963,007	5,567,600	(395,407)
Bruckmuehl	Pettenkofer Strasse 15a, 83052 Bruckmühl	Bruckmuehl	Retail	7.07	5,889	-	7,226,230	6,399,000	(827,230)
Eilenburg	Grenzstrasse 34-35, 04838 Eilenburg	Eilenburg	Retail	9.00	3,727	-	4,867,252	3,913,300	(953,952)
Frankfurt	Battonnstrasse 10-24 + Allerheiligen-strasse 7, 60313 Frankfurt	Frankfurt	Retail	14.50	1,088	-	2,426,342	2,535,000	108,658
TOTAL					**24,105**		**36,968,514**	**33,584,900**	**(3,383,614)**

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

Zalau
Raiffeisen Bank

Notice of Annual General Meeting

18 February 2009

Notice is hereby given that the second annual general meeting of New Europe Property Investments plc ("the Company") will be held at Falcon Cliff, Palace Road, Douglas, Isle of Man on 12 March 2009 at 12.00 noon.

REGISTERED OFFICE

Falcon Cliff
Palace Road
Douglas
Isle of Man
IM2 4LB

ORDINARY BUSINESS

1 To receive and approve the Reports of the Directors and Auditor and the consolidated Financial Statements for the year ended 31 December 2008.

2 To empower the Company's Board of Directors on an once-off basis to declare a final dividend in relation to the year ended 31 December 2008 up to a maximum of 7.24 € cents per share (bringing the total maximum distribution for the year to 14.72 € cents per share) to shareholders according to their respective rights out of the Company profits and effect payment thereof.

3 To re-elect a director of the Company.
Directors Peter Francis Gray and Michael John Mills retire in accordance with Article 86 of the Company's Articles of Association. Being eligible Michael John Mills offers himself for re-election.

4 To re-elect a director of the Company.
Mr. Desmond de Beer retires in accordance with Article 81 of the Company's Articles of Association having been appointed by the Board during the year and being eligible, offers himself for re-election.

5 To re-appoint KPMG Audit LLC as Auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

6 To authorise the directors to fix their remuneration.

SPECIAL BUSINESS

7 To amend the Articles of Association of the Company to comply with the requirements of the JSE Limited and in accordance with the proposed amendments as detailed in the Company's draft replacement articles as per the Company's website (www.nepi.uk.com).

8 So as to maintain the maximum "headroom" available to the Directors for 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, in accordance with Article 5.2 of the Articles of Association of the Company, the provisions of Article 5.2 are dis-applied in respect of any allotments of equity securities of the Company in an aggregate nominal amount not exceeding 10% (ten percent) of the Company's total nominal issued share capital at the date of this resolution and such dis-application to apply until the earlier of (i) eighteen months from the date of this resolution and (ii) the end of the next Annual General Meeting of the Company.

By order of the Board
Dewald L. Joubert
Director

Proxy Form

Please insert the member's(s) full names(s) and address(s) in BLOCK LETTERS.

I/We ____

Of ____

Being a member/members of New Europe Property Investments plc hereby appoint the Chairman of the Meeting, or failing him, ______________________ as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Falcon Cliff, Palace Road, Douglas, Isle of Man on 12 March 2009 at 12.00 noon and at any adjournment thereof.

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

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

Date ____________________ 2009 Signature ______________________

	ORDINARY BUSINESS	FOR	AGAINST
1	To receive and approve the Reports of Directors and Auditor and the Consolidated Financial Statements for the year ended 31 December 2008.		
2	To empower the Company's Board of Directors on an once-off basis to declare a final dividend in relation to the year ended 31 December 2008 up to a maximum of 7.24 € cents per share (bringing the total maximum distribution for the year to 14.72 € cents per share) to shareholders according to their respective rights out of the Company profits and effect payment thereof.		
3	To re-elect Michael John Mills as a director of the Company in accordance with Article 86 of the Company's Articles of Association.		
4	To re-elect Mr. Desmond de Beer as a director of the Company in accordance with Article 81 of the Company's Articles of Association.		
5	To re-appoint KPMG Audit LLC as auditor.		
6	To authorise the directors to fix their remuneration.		
	SPECIAL BUSINESS	**FOR**	**AGAINST**
7	To amend the Articles of Association of the Company to comply with the requirements of the JSE Limited and in accordance with the proposed amendments as detailed in the Company's draft replacement articles as per the Company's website (www.nepi.uk.com).		
8	To disapply the provisions of Article 5.2 in the Company's Articles of Association in respect of any allotments of equity securities of the Company in an aggregate nominal amount not exceeding 10% (ten per cent) of the Company's total nominal issued share capital at the date of this resolution, such disapplication to apply until the earlier of (i) eighteen months from the date of this resolution and (ii) the end of the next Annual General Meeting of the Company.		

www.nepi.uk.com

New Europe Property Investments plc
Registration number 001211V (share code: NEPI)
Falcon Cliff, Palace Road
Douglas, Isle of Man IM2 4L

Company Administrator and Registrar:
Andrew Mackenzie Dawson
Maitland Services Limited
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Company subsidiaries and joint venture investments:

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Midocean Chambers
Road Town, Tortola, British Virgin Islands

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

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

CIREF NEPI Holdings Limited
Grigoriou Xenopoulou 17
P.C. 3106, Limassol, Cyprus

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

Nepi Bucharest One S.R.L.
4-8 Nicolae Titulescu Street, America House
3rd floor, District 1, Bucharest, Romania

Nepi Bucharest Two S.R.L.
39 Grigore Mora, District 1
Bucharest, Romania

Nepi Bucharest Three S.R.L.
60 Boulevard Dacia, District 1
Bucharest, Romania

General Building Management S.R.L.
13, Charles de Gaulle, Office 13, District 1
Bucharest, Romania

General Investment S.R.L.
13, Charles de Gaulle, Office 13, District 1
Bucharest, Romania

Premium Portfolio Ltd & Co KG
Rossertstrasse 9
60323 Frankfurt am Main, Germany

Premium Portfolio 2 Ltd & Co KG
Rossertstrasse 9
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Investment Advisor:
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Nominated Advisor and Broker:
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25 Moorgate
London EC2R 6AY

www.nepi.uk.com

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