ANNUAL REPORT 2011

NEW EUROPE PROPERTY INVESTMENTS PLC

> The property portfolio had an outstanding weighted average lease duration of 7 years as at 31 December 2011, while 83% of the contracted rental income was from large tenants and major franchisees.

PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA

TABLE OF CONTENTS

COMPANY PROFILE

NEPI is a commercial property company, which indirectly held a portfolio of ***32 income producing properties and two developments***, valued at €341.8 million as at 31 December 2011.

The investment portfolio is currently ***focused on Romania*** but could later include other Eastern European countries.

The Group focuses on investments in ***dominant or potentially dominant retail assets*** but invests opportunistically in office and industrial properties as well.

The investment strategy is biased towards ***long-term leases in euro with strong corporate covenants***. As at 31 December 2011, the portfolio had an outstanding weighted average lease duration of 7 years, while 83% of the contracted rental income was from large tenants and major franchisees.

The Group is ***internally managed*** combining property and asset management, as well as investment and development skills, in an integrated approach.

The Company ***distributes at least 90% of its net rental profits on a semi-annual basis*** in euro (dividends are converted to South African Rand for shareholders on the South African sub-register).

The Company ***is listed on*** the Main Board of the Johannesburg Stock Exchange (***JSE***), the regulated market of the Bucharest Stock Exchange (***BVB***) and the AIM market of the London Stock Exchange (***LSE***).

	2011	2010	2009	2008
Distribution per share (€ cents)	20.25	17.61	15.77	14.72
Adjusted NAV per share (€)	2.43	2.22	1.97	1.98
Gearing*	32%	49%	46%	34%
Shares in issue	102,783,693	76,933,734	40,657,663	28,150,000

* (loans-cash) / investment property value

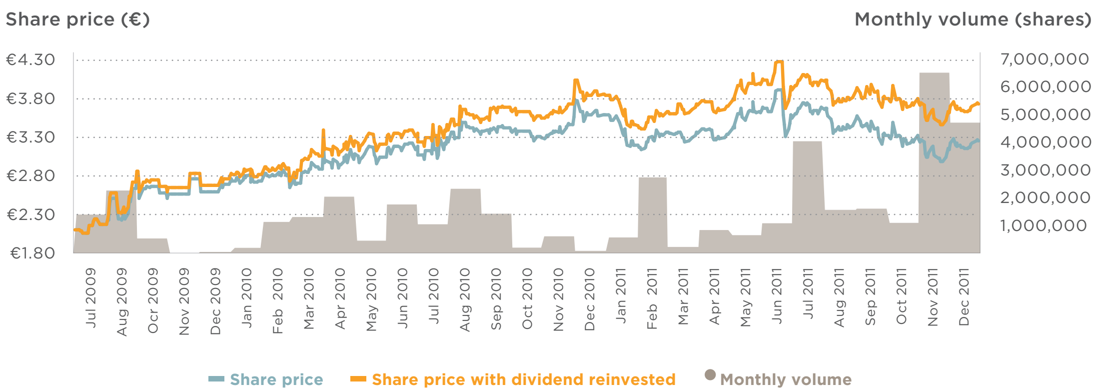


PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA

PHOTO: BRASOV OFFICE, BRASOV, ROMANIA

CHAIRMAN'S STATEMENT

During the 2011 financial year, NEPI has again produced commendable results, which led to a 15% increase in dividends per share compared to the previous year.

From a strategic perspective, the Group expanded its investment and development pipeline and further strengthened its development capacity by expanding its internal management team with additional project management and leasing professionals.

Considerable emphasis has been placed on corporate governance. The majority of the directors are non-executive directors, independent of the management of the Group. The Investment Committee has been very active during the year, while the Audit and Risk Committee increased the frequency of its meetings since the Company started reporting quarterly following the admission to trading on the Bucharest Stock Exchange.

The Group has access to many exciting investment and development opportunities and I am confident that the Group is well placed to take advantage of these.

Dan Pascariu
Independent non-executive Chairman

BOARD OF DIRECTORS

Dan Pascariu (61)
Independent non-executive Chairman
Appointed on 30 March 2009
MBA

Dan Pascariu is one of the most influential figures in the Romanian banking system. He started his career with the Romanian Bank for Foreign Trade in 1973 and was later appointed chairman and CEO. He is a non-executive Chairman of the Board of Unicredit Tiriac Bank. Mr. Pascariu was the founder and first president of the Romanian Banking Association as well as a co-founder and associate professor at the Romanian Banking Institute. He serves as member of the Board of Directors at various financial institutions in Romania and abroad.

Martin Slabbert (40)
Chief Executive Officer
Appointed on 14 August 2007
BCom, LLB (cum laude), MCom (cum laude), Dip FMI, CF (England and Wales)

Martin Slabbert started his career in South Africa. He held positions at Arthur Andersen and HSBC Investment Services (Africa) (Pty) Ltd, where he gained experience in mergers and acquisitions, turn-around strategies and financial restructuring. He was senior vice-president for the shareholders' funds and member of the executive committee at Nedcor Investment Bank Ltd, and later general manager in the capital management cluster of the Nedbank Group. In Romania he served as partner at Deloitte Central Europe. Mr. Slabbert co-founded NEPI in 2007, and has been managing the Group since.

Desmond de Beer (51)
Non-executive Director
Appointed on 21 October 2008
BProc, MAP

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 appointed bond manager at the Barclays Trust. He was later appointed general manager Corporate Equity and became a member of the executive committee at Nedcor Investment Bank Ltd. Since 2003, Mr. de Beer has been the managing director of the Resilient Property Income Fund Limited, listed on the JSE in South Africa, and a director of the JSE listed Capital Property Fund.

Dewald Joubert (39)
Independent non-executive Director
Appointed on 23 July 2007
BCom, LLB, Adv Cert Tax – UP

Dewald Joubert has around 15 years of experience in the fields of international tax planning for corporates, transaction structuring and corporate governance. Formerly a practicing lawyer, he spent his professional career initially with Arthur Andersen in South Africa and thereafter in the Isle of Man with the Maitland Group, where he became a partner of the firm. Mr. Joubert holds a number of independent non-executive directorships on the boards of various listed companies and significant subsidiaries of listed multinational businesses.

Jeffrey Zidel (61)
Independent non-executive Director
Appointed on 11 November 2009

Jeffrey Zidel is a successful property developer and investor and has been involved in all aspects of the property industry for 41 years. He is currently chairman of Fortress Income Fund Limited and Property Index Tracker Managers (Proprietary) Limited, both listed on the JSE. Mr. Zidel was a three time past president of the Roodepoort Chamber of Commerce. He was a co-founder of Resilient Property Income Fund Limited, a company listed on the JSE, which is a substantial investor in NEPI.

Michael Mills (64)
Independent non-executive Director
Appointed on 13 August 2007
BSc, FCA

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. 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, Legacy Distribution Group Inc. and CEO of Drew Scientific Group plc.

Victor Semionov (34)
Financial Director
Appointed on 13 May 2010
BCom

Victor Semionov graduated in 1999 with a major in finance from the Academy of Economic Studies in Bucharest and started his career with the Financial Advisory practice of Deloitte Central Europe where he gained experience in mergers and acquisitions, debt finance and turnarounds. Mr. Semionov co-founded NEPI in 2007, and has been with the Group since.

ATTENDANCE AT BOARD AND SUB-COMMITTEE MEETINGS

	Board	Investment Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Dan Pascariu	4/4			1/1	1/1
Martin Slabbert	4/4	5/5			1/1
Desmond de Beer	4/4	5/5		1/1	
Dewald Joubert	4/4		6/6	1/1	
Jeffrey Zidel	4/4	5/5	6/6		
Michael Mills	4/4		6/6		1/1
Victor Semionov	4/4				

PHOTO: FLOREASCA BUSINESS PARK, BUCHAREST, ROMANIA

ANALYSIS OF SHAREHOLDERS AND SHARE TRADING

Shareholder spread at 31 December 2011 in terms of the JSE Listings Requirements	Number of shareholders	Number of shares held	Percentage of issued shares
Public	1,878	68,804,561	66.94%
Non-public	29	33,979,132	33.06%
out of which Directors and employees	28	14,879,132	14.48%
	1,907	**102,783,693**	**100.00%**

Size of holding			
Up to 2,500 shares	1,013	1,255,456	1.22%
2,501 to 10,000 shares	569	2,982,108	2.90%
10,001 to 100,000 shares	242	7,403,810	7.21%
100,001 to 1,000,000 shares	66	21,513,086	20.93%
1,000,001 to 3,500,000 shares	9	17,475,238	17.00%
more than 3,500,000 shares	8	52,153,995	50.74%
	1,907	**102,783,693**	**100.00%**

Registered shareholders owning 5% or more of issued shares			
Resilient Property Income Fund Limited	1	19,100,000	18.58%
Fortress Income Fund Limited	1	9,564,000	9.30%
	2	**28,664,000**	**27.88%**

Beneficial shareholding of 5% or more of issued shares			
Resilient Property Income Fund Limited	1	19,100,000	18.58%
Fortress Income Fund Limited	1	9,564,000	9.30%
Desmond de Beer	1	6,526,546	6.35%
	3	**35,190,546**	**34.23%**

BENEFICIAL SHAREHOLDING OF DIRECTORS

At 31 December 2011	Direct holding	Indirect holding	Total shares held	Percentage of issued shares
Desmond de Beer	–	6,526,546	6,526,546	6.35%
Jeffrey Zidel	209,056	1,559,834	1,768,890	1.72%
Martin Slabbert	–	5,061,529	5,061,529	4.92%
Victor Semionov	–	1,143,656	1,143,656	1.11%
	209,056	**14,291,565**	**14,500,621**	**14.10%**

At 31 December 2010				
Desmond de Beer	–	4,712,929	4,712,929	6.10%
Jeffrey Zidel	30,000	1,063,652	1,093,652	1.40%
Martin Slabbert	–	4,579,029	4,579,029	6.00%
Victor Semionov	–	963,656	963,656	1.30%
	30,000	**11,319,266**	**11,349,266**	**14.80%**

The shareholding of Directors has not changed between the end of the financial year and one month prior to the date of the notice of the annual general meeting.

DIRECTORS' REPORT

DISTRIBUTABLE EARNINGS

The Group has achieved distributable earnings of 24.67 euro cents per share for the financial year ended 31 December 2011. This is as a result of continued strong performance in the Group's assets, the favourable acquisition of Floreasca Business Park in December 2010 and a settlement with the vendor of the Raiffeisen office portfolio in relation to the non-performance of certain obligations towards the Group.

The vendor settlement gave rise to non-recurring income and as a result the Board resolved to limit the full year dividend to 20.25 euro cents per share, an improvement of 15% over the 17.61 euro cents distributable earnings per share generated during the 2010 financial year.

The retained distributable earnings of €4.3 million generated during the 2011 financial year will be considered for distribution in relation to the 2012 and 2013 financial years, whilst the Group pursues further growth in dividend distributions and a number of property developments. Accordingly, the Board has declared a final dividend of 10.48 euro cents per share in respect of the six months ended 31 December 2011.

OTHER HIGHLIGHTS

The Company raised a combined €68.8 million via a private placement during June 2011 and a rights issue during December 2011. Both capital raisings were substantially oversubscribed, despite turmoil in the capital markets in the second half of the 2011 financial year. As a result, the shareholder base of the Company expanded significantly and the liquidity in the trading of the Company's shares improved, thus contributing to the inclusion of the Company's shares in a number of indices during December of 2011.

DIRECTORS' REPORT ›continued

PHOTO: STRIP MALL, BRASOV, ROMANIA

In respect of the Raiffeisen portfolio which was acquired in 2008, the vendor undertook a number of obligations towards the Group, which included rental guarantees and performing refurbishments. In addition, the vendor undertook the obligation to buy the property in Constanta from the Group as a result of an option exercised by the Group during the 2009 financial year. A number of the vendor's obligations were not fulfilled or fulfilled late. In August 2011 the parties had reached a financial settlement that was subsequently implemented.

The settlement agreement led to the transfer of the Constanta property to the vendor and the realisation by the Group of substantial late payment and non-performance penalties. Some €2.4 million of the vendor's settlement obligations towards the Group remained outstanding at the 2011 financial year-end and these are secured over three real estate properties owned by the vendor group.

The Company was admitted to trading on the regulated market of the Bucharest Stock Exchange on 20 June 2011.

RETAIL ACQUISITIONS, EXTENSIONS AND DEVELOPMENTS

Brasov Strip Mall: During the year, the Group acquired land adjacent to its retail asset in Brasov that borders a top-performing Carrefour hypermarket and initiated a redevelopment of the combined property into a 5,300 square metre GLA strip mall. The fully let redevelopment was completed in November 2011, with DM and Flanco opening for trade on 1 December 2011, whilst C&A, Deichman, New Yorker and Takko are expected to be trading by the end of the first quarter of the 2012 financial year.

DIRECTORS' REPORT ›continued

PHOTO: PROMENADA MALL, BRAILA, ROMANIA

Promenada Mall Braila: The Group finalised and opened an extension of Promenada Mall Braila consisting of a 10-screen cinema complex and a large entertainment area in April 2011. The entertainment extension has proved to be successful and contributed to a substantial increase in footfall and tenants' turnovers. A vacancy of some 7,000 square metres occurred following the insolvency of Staer, a national furniture retailer, in February 2011. A redevelopment was pursued in order to integrate the purpose-built former Staer space into the shopping centre. This redevelopment was completed in November 2011 and the vacancy has been re-let. A re-configuration and re-tenanting of the fashion section of the Mall is currently underway and this will result in the addition of C&A and H&M as tenants during the second quarter of the 2012 financial year. The Group expects that this will strengthen the centre's regional dominance.

DIRECTORS’ REPORT ›continued

PHOTO: RETAIL PARK AUCHAN PITESTI, ROMANIA

Retail Park Auchan Pitesti: During the year, the Group acquired the underperforming remaining 7,000 square metre GLA galleria linked to the Retail Park Auchan Pitesti that it did not acquire in 2010, to become the sole owner of the property. The Group redeveloped the galleria into a value centre which resulted in an addition of 3,345 square metres of GLA to the retail park. This included an extension of the Auchan hypermarket sales area by 3,200 square metres, turning it into the largest hypermarket in Romania outside of the capital city. The redeveloped section of the property was opened on 1 December 2011 with 8,195 square metres of it having been let by year-end to tenants including Domo, Naturlich, Reserved outlet and Toyplex.

PHOTO: RETAIL PARK AUCHAN PITESTI, ROMANIA

DIRECTORS' REPORT ›continued

Ploiesti Shopping City: During the year, the Group acquired land adjacent to Carrefour's operating hypermarket in Ploiesti, Romania and reached an agreement with Carrefour Property to redevelop the combined properties into a regional shopping centre. The Ploiesti hypermarket is Carrefour's leading hypermarket in Romania outside of Bucharest. Construction works commenced during December 2011 and leases have been agreed with tenants including Altex, Bershka, Cinema City, H&M, Lee Cooper, Massimo Dutti, New Yorker, Office Shoes, Orsay, Oysho, Pull and Bear, Reserved, Stradivarius, Vodafone and Zara. Several other tenant negotiations are ongoing and the development that will comprise 56,000 square metres of GLA on completion, is progressing as scheduled and is expected to open towards the end of the 2012 financial year.

RENDER: VICTORIA CITY CENTRE, BUCHAREST, ROMANIA

Brasov buy-and-leaseback: The Group is currently finalising a due diligence with regards to a buy-and-leaseback transaction with Mobexpert, the leading Romanian furniture retailer, in relation to its retail asset in Brasov, Romania. The retail asset is located on a site of some 15,600 square metres that borders NEPI's recently completed strip mall and the Carrefour hypermarket in Brasov.

DIRECTORS' REPORT ›continued

RENDER: PLOIESTI SHOPPING CITY, PLOIESTI, ROMANIA

Victoria City Centre: During November 2011, the Group concluded an agreement to acquire a 50% shareholding in a company that owns a former factory site located in the north-western part of Bucharest, an area which is under-serviced with retail space and that benefits from excellent accessibility both by car and public transportation. There is a metro stop in front of the site allowing direct access to the proposed development. Further public transport is available through bus, tram and trolley lines. It is proposed to develop a 56,000 square metre GLA shopping centre on the site. As of the date of this report, this development remains subject to the Group and the joint venture partner agreeing to and formally adopting a project development plan.

DIRECTORS' REPORT ›continued

OFFICE ACQUISITIONS, EXTENSIONS AND DEVELOPMENTS

Brasov Office: The Group finalised the refurbishment of the Brasov office building during the 2011 financial year. At the 2011 financial year-end, 3,400 square metres of the refurbished office area remained unrented.

Victoriei Office: During August 2011, the Group indirectly acquired a 4,400 square metre plot of land in Victoriei Square, Bucharest. The land contains a neglected historic villa that has been declared a national monument and is located in the centre of Bucharest, 200 metres from the central government seat and 20 metres from an entrance to one of the largest metro nodes of the city. The intention is to refurbish the villa and to develop a complimentary A-class office building on the land that will integrate with, and expand the public space of Victoriei Square. The project is in the design and permitting phase.

City Business Centre: During January 2012, the Group concluded agreements to indirectly acquire 47,000 square metres GLA A-class offices in the town centre of Timisoara, Romania. Timisoara is the fourth largest city in Romania with a population in excess of 315,000 and is home to a growing back-office activities-and-services market that offers a skilled labour force, low costs and proximity to Western Europe. The acquisition includes three existing office buildings of some 27,150 square metres GLA and a forward commitment to acquire two further office buildings of some 20,000 square metres GLA that are under development. Tenants in the three existing buildings include Alcatel, Deloitte, IBM, Microsoft, PricewaterhouseCoopers, Raiffeisen Bank and Unicredit. Autoliv and SAP are expected to become tenants in the office buildings under development.

DISPOSALS

As a result of exercising of a put option, the Group transferred the Constanta property in August 2011, a 6,797 square metre GLA office building that was part of the Raiffeisen portfolio, to the vendor as part of the financial settlement mentioned above.

DIRECTORS' REPORT ›continued

PHOTO: MUNICH OFFICE, GERMANY

DIRECTORS' REPORT ›continued

DEBT

In April 2011, the Group repaid the €6.8 million Alpha Bank loan facility that was due for repayment and replaced this in June 2011 with a €9.5 million revolving facility from Unicredit Bank. The new revolving facility carries an interest rate of one month Euribor plus 3.0% and matures on 31 May 2012 when, at the Group's option, the facility is convertible into a term-loan repayable on 31 December 2014. As at 31 December 2011, the new facility was undrawn. The Group entered into a swap agreement during November 2011, fixing its base rate in relation to €104.7 million of its interest bearing debt at 1.8% for five years from this date.

BANK LOANS AND BORROWINGS AS AT 31 DECEMBER 2011

Borrower	Facility amount	Outstanding amount	Available for drawdown	Interest rate	Hedge
	€	€	€		
Nepi Bucharest One SRL	6,200,000	6,200,000	–	1M Euribor+4.5%	1M Euribor capped at 2%
General Investment SRL	15,000,000	8,721,936	–	Fixed at 6.23%	–
Nepi Bucharest Two and Unique Delamode SRL	9,500,000	–	9,500,000	1M Euribor+3%	1M Euribor capped at 2%
Pemium Portofolio	13,995,000	13,330,916	–	Fixed at 5.17%	–
Promenada Mall	40,000,000	40,000,000	–	3M Euribor+3.0%	3M Euribor swapped at 1.8%
Retail Park Auchan Pitesti	28,813,000	28,596,902	–	1M Euribor+4.0%	1M Euribor capped at 2%
Floreasca Business Park	77,000,000	67,808,485	–	3M Euribor+2.5%	3M Euribor swapped at 1.8%
TOTAL	**190,508,000**	**164,658,239**	**9,500,000**	**22,474,140**	**–**

BANK LOANS REPAYMENT PROFILE

Borrower	2012	2013	2014	2015	2016	Total
	€	€	€	€	€	€
Nepi Bucharest One SRL	–	6,200,000	–	–	–	6,200,000
General Investment SRL	1,064,641	1,137,283	6,520,012	–	–	8,721,936
Nepi Bucharest Two and/or Unique Delamode SRL	–	–	–	–	–	–
Premium Portofolio	241,106	334,550	12,755,260	–	–	13,330,916
Promenada Mall	2,155,653	2,155,654	35,688,693	–	–	40,000,000
Retail Park Auchan Pitesti	2,139,366	1,899,257	2,084,139	22,474,140	–	28,596,902
Floreasca Business Park	1,794,104	66,014,381	–	–	–	67,808,485
TOTAL	**7,394,870**	**77,741,125**	**57,048,104**	**22,474,140**	**–**	**164,658,239**

The accrued interest for the bank loans and borrowings amounts to €840,791.

DIRECTORS' REPORT ›continued

NET RENTAL INCOME

Net rental and related income increased to €23,727,203 (2010: €16,224,196). The main contributing factors to the increase include accounting for Floreasca Business Park for a full year (the effective date of acquisition was 29 December 2010) and like-for-like improvements in net rental and related income generated from the portfolio held on 31 December 2010.

DISTRIBUTABLE EARNINGS

The distributable earnings for the financial year increased to €23,077,243 in 2011 from €11,665,016 in 2010. The distributable earnings figure is arrived at by adjusting the accounting profit of €18,771,746 by:

1. Reversing the non-cash flow items recognised in the statement of income discussed below:
   - An unrealised foreign exchange gain of €475,883, which resulted from the consolidation of the RON denominated financial statements of the Romanian subsidiaries, in the financial statements. In substance, the Group's income, expenses, assets and liabilities are euro-denominated and currency adjustments that result from this accounting treatment are reversed when calculating distributions.
   - A positive net fair value adjustment of €3,010,852, to reflect the net improvement in the market value of the Group's investment properties based on the year-end valuations and the goodwill impairment generated by the sale of Constanta property, part of Raiffeisen portfolio.
   - A negative fair value adjustment of €4,144,772 to reflect a net reduction in the value of financial instruments held for interest rate hedging purposes.
   - A deferred tax gain of €500,210. The deferred tax charge arises on the difference between the fair value and book value of assets as this would become payable if the assets were sold by the subsidiaries. On an ongoing basis this theoretical charge is not expected to materialise.
   - A share-based payment expense of €1,041,647 that results from the treatment of the Initial Share Scheme (i.e. the share purchase schemes which was in place since the Company's listing on the AIM market of the London Stock Exchange) as an option scheme in accordance with IFRS.

2. Recognising:
   - An accrued interest of €685,186 on the loans in respect of the Initial Share Scheme.
   - An expense of €972,520 in relation to the amortisation of the premiums paid in respect of the interest rate hedging instruments.
   - An amount of €2,323,347 in respect of the share issues that took place cum dividend during the financial year.

ADJUSTED NAV

Adjusted NAV per share has improved to €2.43 (2010: €2.22). Adjusted NAV per share is calculated by adding to the net asset value of the Group, the value of the loans extended to participants in the Initial Share Scheme, as well as adding back deferred tax and deducting goodwill. The result is divided by all of the shares issued by the Company (including the shares issued in terms of the Initial Share Scheme that are treated as treasury shares for accounting purposes).

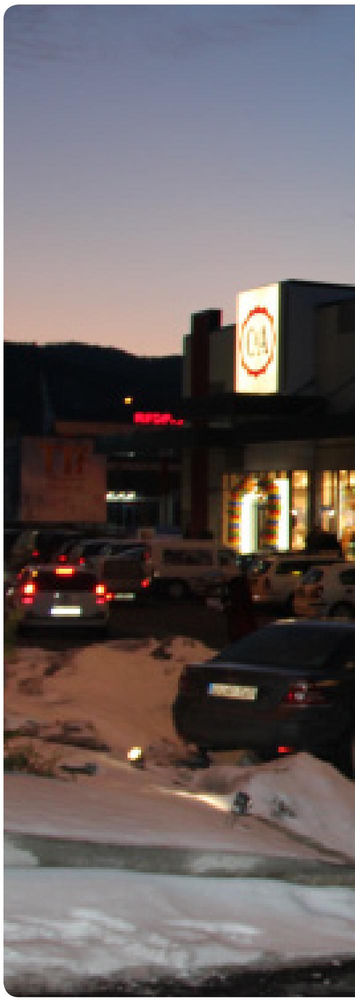
DIRECTORS' REPORT ›continued

PROPERTY PORTFOLIO

As at 31 December 2011, the Group's property portfolio consisted of 32 income producing assets and two developments of which six income producing properties are located in Germany (NEPI holds a 50% interest in the German portfolio and all figures in this report are adjusted to reflect this). As at 31 December 2011, the portfolio was valued at €341.8 million, had a weighted rentable area of 219,176 square metres, an outstanding weighted average lease duration of seven years (2010: 7.6 years) and an occupancy rate of 94.7%. The average annualised property yield was 8.2%.

The Retail Portfolio

As at 31 December 2011, the retail portfolio consisted of 11 income producing assets with a weighted rentable area of 113,610 square metres, valued at €166.3 million that accounted for 51% of the annualised gross rental income. The bulk of the retail assets consist of Promenada Mall Braila, a 53,000 square metre retail centre anchored by Carrefour and Bricostore and Retail Park Auchan Pitesti, a 43,100 square metre retail centre anchored by Auchan and Bricostore. The remainder of the retail portfolio consists of a retail-box and three street retail properties in Romania, as well as five small retail properties in Germany. The retail assets in the portfolio performed well. A number of large international fashion retailers took up space during the period. More details are provided in the Retail Acquisitions, Extensions and Developments section above. In December 2011, the Group started construction works of a 56,000 square metre regional shopping centre in Ploiesti, in a 50% joint venture with Carrefour Property ("Ploiesti Shopping City"). Ploiesti Shopping City is expected to open towards the end of 2012.



DIRECTORS’ REPORT ›continued

PHOTO: PROMENADA MALL, BRAILA, ROMANIA

PHOTO: STRIP MALL, BRASOV, ROMANIA

DIRECTORS' REPORT ›continued

PHOTO: FLOREASCA BUSINESS PARK, BUCHAREST, ROMANIA

DIRECTORS' REPORT ›continued

The Office Portfolio

As at 31 December 2011, the office portfolio consisted of 19 income producing properties with a weighted rentable area of 77,724 square metres, valued at €138.2 million and accounted for 43% of the annualised gross rental income. The office portfolio includes Floreasca Business Park, acquired in December 2010, 17 office buildings rented mostly to Raiffeisen bank and located in the central areas of 17 Romanian cities and one building rented to medical practitioners in Munich, Germany. In 2011, the Group acquired a 4,400 square metre land plot located in Bucharest, 200 metres from the central government seat, with the intention of refurbishing a historic villa located on it and developing a complementary A-class office building. The property was valued at €13.2 million at year-end. City Business Centre in Timisoara was acquired and accounted for in January 2012.

The Industrial Portfolio

The industrial portfolio consists of a 23,000 square metre industrial property in Rasnov, Romania and a 4,800 square metre logistics property in Bucharest, Romania. As at 31 December 2011, the two properties were valued at €17.1 million and accounted for 6% of the annualised gross rental income.

DIRECTORS' REPORT ›continued

VACANCY PROFILE

At year-end, 11,643 square metres of rentable area were vacant, representing 5.3% of the 219,176 square metres of rentable area. Of the total vacancy, 1,944 square metres were in Promenada Mall Braila, 2,150 square metres in Retail Park Auchan Pitesti and 3,400 square metres in the Brasov office building, all resulting from the redevelopments and reconfigurations finalised during the year. The remaining 1.9% were made up of smaller vacancies in the Raiffeisen portfolio.

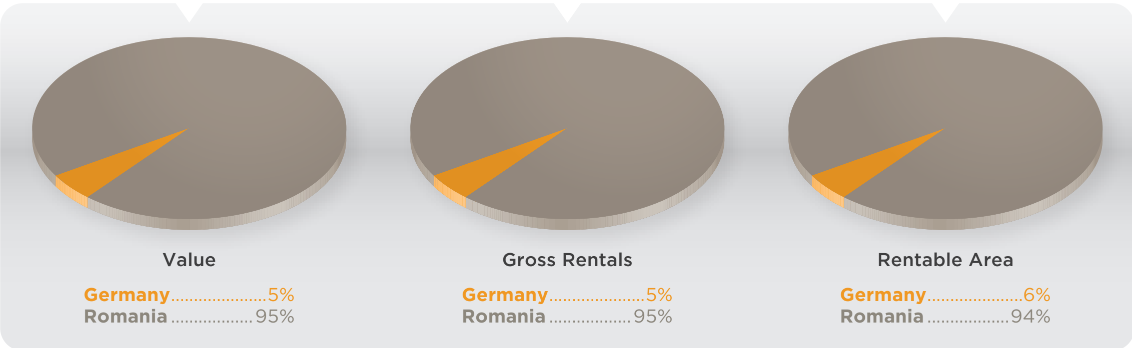
RENTAL ESCALATIONS

Rental income in Romania is indexed annually with European CPI (2011 EU CPI was 2.7%). Escalations in the rental agreement with Raiffeisen Bank are capped at 3% per annum. Out of the total contracted rent in Germany, 83.2% is indexed. A typical lease in the German portfolio is indexed at 65% of the German CPI (2011 German CPI was 2.5%) that is applicable when cumulative inflation exceeds a certain threshold, usually 10%.

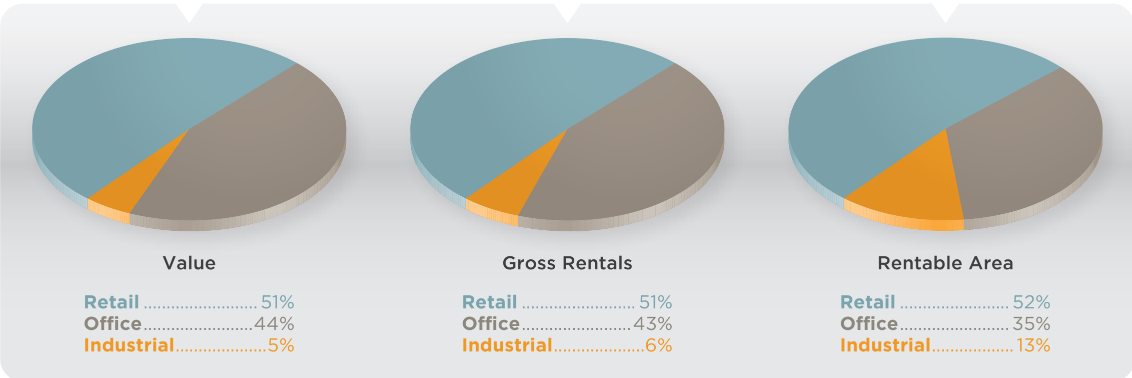
As at year-end 2011, the weighted average rental escalation by rentable area was 2.63% for the retail space, 2.21% for the office space and 2.56% for the industrial space.

PORTFOLIO PROFILE

Geographical profile

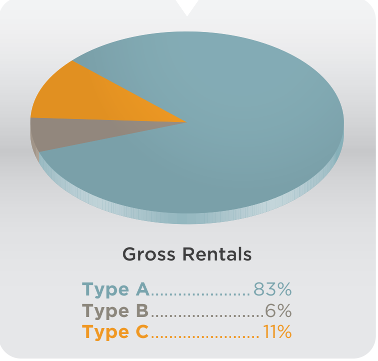


Sectoral profile



DIRECTORS' REPORT ›continued

Tenant profile



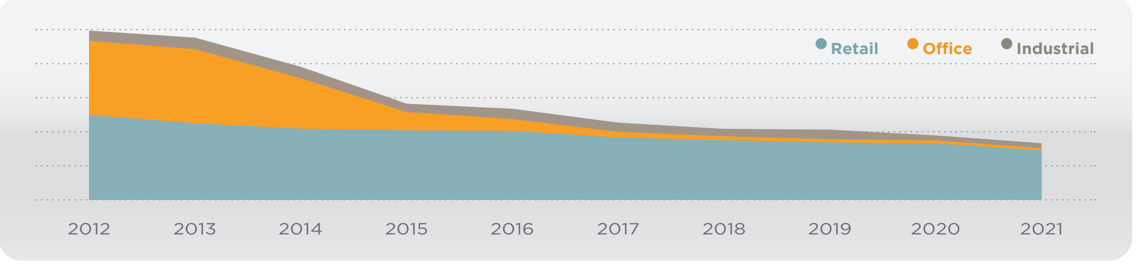
Type A: Large international and national tenants, large listed tenants, government and major franchisees (companies with assets and/or turnovers in excess of €200 million). These include, inter alia, the tenants listed below.

ABB	Cinema City	Hervis	Picanol
ABBOTT	Colliers	Holcim	Piraeus Bank
AGIP	Credit Europe Bank	Honeywell	Raiffeisen Bank
Auchan	Daikin	KFC	REWE
BCR	Deichmann	Lindner	Romtelecom
BASF	Deutsche Post	L'Oreal	Sprider
Berlin Chemie	DHL	Mars	Takko
BRD	EON Gaz	NBR	UPC
Bricostore	GE	New Yorker	UPS
C&A	Gorenje	Oracle	Vodafone
Carrefour	H&M	Orange	XEROX

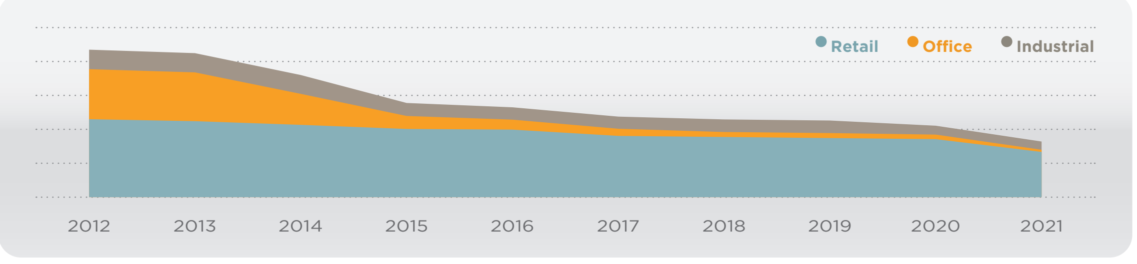
Type B: Smaller international and national tenants, smaller listed tenants, and medium to large professional firms (companies with assets and/or turnovers between €100 million and €200 million).

Type C: Other tenants (259 tenants, of which 110 tenants are located in Germany).

Lease expiry profile - Gross rentals



Lease expiry profile - Rentable area



For purposes of this analysis the expiry date in relation to a lease is considered to be the first day when the tenant has the right to terminate the lease agreement. The contracted rent forecast excludes contracted rental escalations.

DIRECTORS' REPORT ›continued

ROMANIAN MARKET OVERVIEW

Macroeconomic status

At 2%, the GDP growth in 2011 was higher than expected, supported by a 17.5% increase in exports. The public spending was a drag on growth given the austerity measures implemented in June 2010. However, the same measures brought the public finances to levels that are considered sustainable while the general government debt decreased to 31.4% of GDP. Unemployment fell to an estimated 4.8% as of year-end, while inflation decreased to 3.3%, the lowest level in 20 years.

However, external conditions, particularly the Eurozone's sovereign debt crisis, have taken a turn for the worse in the second half of 2011. An anticipated reduction of export growth is expected to have a moderating effect on economic expansion. Yet, it is expected that strengthening domestic demand will act as a counter weight.

Retail market

The retail sector has been an outperformer in property terms, with healthy demand for space from major retailers in Bucharest and the secondary cities. Romania has a good mix of international and national retailers and is considered an attractive destination in regard to attracting international newcomers. Many major international retailers pursued an aggressive expansion program in Bucharest and secondary cities during the year – a trend which is expected to continue in 2012. The mass grocery retail sector was also a solid performer.

Office market

The take-up increased by almost 50% in the second half of 2011 compared to the similar period of 2010, while delivery of new space was at its lowest level since 2009. Pre-lease transactions have been making a comeback, a factor that may lead to falling vacancy rates and put upward pressure on rents in 2012 in top location buildings.

Industrial demand

Rental rates and capacity remained stable while vacancy rates fluctuated – some large units were vacated, but take-up remained consistent with 2010 levels. With the export industry likely to weaken due to lower demand from the Eurozone, the industrial property sector is expected to perform on par with 2011 until the international climate improves.

PROSPECTS

The Group will continue to pursue further growth in recurring distributable earnings per share in the medium-term via the combination of an expected strong performance of its existing portfolio together with the acquisition and development activities reported on above, as well as exploring further acquisitions and developments in Romania and in other countries in the region.

PHOTO: CITY BUSINESS CENTRE, TIMISOARA, ROMANIA

KEY RISK FACTORS

The main risks facing the Group relate to property and finance. The overall risk philosophy of the Group can be described as conservative, with an emphasis on accepting the risks that determine the nature of the business, such as fluctuations in the value of assets, vacancies, volatility in market rents, or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude. Sensitivity analysis is conducted at Group level. Other risks, notably interest rate and exchange rate risks, are closely managed and actively hedged. Re-financing risks are considered limited. Risks of potential breaches of loan covenants are minimised through a conservative financing policy and a close review of compliance indicators.

RISK DESCRIPTION	IMPACT AREAS	KEY MITIGANTS
STRATEGY		
Failure to execute appropriate property investment and development strategies.	Net asset value. Total property return (income and capital). Shareholder earnings (dividends).	Defined investment strategy. Defined asset appraisal process. Review of all opportunities against pre-determined criteria. Monitoring of macroeconomic and property market trends.
DEVELOPMENT		
Development and construction risk including contractor solvency and availability.	Reduced development returns. Cost overruns. Programme delays leading to potential loss of occupier revenue. Failure to secure planning permission.	Close supply chain relationships facilitate assessment and monitoring. Assessment of contractors prior to appointment.
INVESTOR DEMAND		
Decrease in demand by investors for real estate.	Net asset value. Potential pressure on banking covenants.	Strong occupier financial covenants. Active asset management.
OFFICE OCCUPIER MARKET		
Weakened occupier demand for office developments, oversupply, and potential vacancies due to financial market rationalisation and economic uncertainty.	Rental income and cash flow. Reduced strength of occupier covenant and increased arrears/bad debts. Cost of occupier incentives for new lettings. Empty unit (void) costs. Net asset value.	Focus on long lease profiles. High occupancy. Quality assets easier to re-let.

KEY RISK FACTORS ›continued

RISK DESCRIPTION	IMPACT AREAS	KEY MITIGANTS
RETAIL OCCUPIER MARKET		
Reduced retail occupier demand for space, increased supply, occupier defaults.	Rental income and cash flow. Empty unit (void) costs. Net asset value.	Diversified occupier base. Long leases and strong financial covenants. Prime portfolio easier to re-let. Close occupier relationships assist in understanding changing requirements. Review of consumer trends. Retail occupiers at risk monitored regularly.
FINANCING AVAILABILITY		
Shortage of financing or refinancing at acceptable cost.	Inability to fund property investments or development programme. Increased cost of finance.	Spread of sources and maturity of facilities. Committed but undrawn facilities maintained. Continuing and extensive capital market and bank relationship management.
COST OF FINANCE		
Adverse interest rate movements increase borrowing or hedging costs.	Increased cost of borrowing and hedging.	Interest hedging policy. Hedging effectiveness regularly monitored.
CREDIT RISK		
Financial counterparty credit risk.	Loss of hedge. Loss of deposits. Cost of rearranging facilities. Incremental changes in financing rate.	Summary of exposures by bank and credit ratings reviewed monthly. Spread of sources and maturity of facilities. Cash placed across a range of deposit accounts. Credit worthiness of derivative counterparties assessed.

The Group has appropriate internal risk management and control systems. Key elements of the internal control systems are: a management structure designed to enable effective decision-making, monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancies, arrears and doubtful debtors and weekly meetings to review the performance against budgets. Strict procedures are also observed for the periodic production of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to identify developments in the value of investments and in income and expenses. For this purpose use is made of electronic data processing within automated information systems. There is a back-up and recovery plan in place so that data can be restored.

Internal auditors provide detailed reports with suggested improvements on areas of interest for management. The Board reviews the external auditors' findings on the Group's internal control environment, supervises the internal control framework and procedures and takes action when necessary.

CORPORATE GOVERNANCE

The Board recognises the importance of sound corporate governance and endorses and monitors compliance with the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies and the King III Report on Corporate Governance in South Africa. The Board confirms that the Company is compliant with the provisions of King III in all material respects, except for the following:

KING III PRINCIPLE	NOTES
1.21 Training and development of directors should be conducted through formal processes.	Training and development of directors have not been conducted through a formal process. This has not been necessary as the directors have been familiar with the Group's operations and business environment.
1.23 The performance of the Board, its committees and individual directors should be evaluated annually.	No formal evaluation of the Board, sub-committees, or of individual directors was undertaken in 2011.
6.5 Sustainability reporting and disclosure should have independent assurance.	No formal process of assurance by an independent party has been undertaken in 2011.

In so doing, the directors recognise the need to conduct the enterprise with integrity and provide effective leadership based on an ethical foundation. This includes timely, relevant and meaningful reporting to its shareholders and other stakeholders providing a proper and objective perspective of the Company and its activities, directing the strategy and operations of the Company to build a sustainable business and considering short and long term impacts of the strategy on the economy, society and the environment. The Board will ensure that the Group is seen to be a responsible corporate citizen through the implementation of the corporate governance policies provided below.

BOARD OF DIRECTORS

The Board comprises four independent non-executive directors, one non-independent non-executive director and two executive directors. The roles of Chairperson and CEO are clearly separated to ensure a balance of power and prevent any director from exercising unfettered powers of decision-making. The directors of the Company are listed on pages 8 and 9 of the report.

The main functions of the Board include:

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

CORPORATE GOVERNANCE ›continued

The directors' varied backgrounds and experience gives NEPI a good mix of the knowledge and expertise necessary to manage the business effectively. Further to this, a clear division of responsibilities at Board level is in place to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board aims to meet formally at least four times a year. There are no external advisors who regularly attend or are invited to attend Board committee meetings. The policies and procedures of the Company are also adopted by all subsidiaries.

The Board is confident that the Group has established effective framework and processes for compliance with laws, codes, rules and standards. There were no material or immaterial but often repeated regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations imposed on the companies or any of its directors or officers.

APPOINTMENT OF DIRECTORS

Directors are appointed by the Board or at the annual general shareholders' meeting. Board appointed directors need to be re-appointed by the shareholders in the first subsequent annual general shareholders' meeting to confirm such appointments. The longest serving third of the directors are required to be re-appointed by the shareholders annually. Board appointments are conducted in a formal and transparent manner by the Board as a whole.

Investment Committee

Members: Des de Beer (Chairman), Jeffrey Zidel and Martin Slabbert

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

Remuneration Committee

Members: Dewald Joubert (Chairman), Des de Beer and Dan Pascariu

The Remuneration Committee, comprising three directors, assesses and recommends to the Board the remuneration and incentivisation of the management and staff of the Company.

Nomination Committee

Members: Dan Pascariu (Chairman), Michael Mills and Martin Slabbert

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

Audit and Risk Committee

Members: Michael Mills (Chairman), Dewald Joubert and Jeffrey Zidel

The Audit and Risk Committee, comprising three non-executive directors, meets at least four times a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, internal control systems and procedures, accounting policies and risk management.

CORPORATE GOVERNANCE ›continued

The Board has delegated the responsibility for developing and monitoring the Group's risk management policies to the Audit and Risk Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The directors assume overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

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

Significant risks that are identified by these systems are communicated to the Board with recommendations for actions to mitigate these risks. The Group may use independent agents to undertake any specialist analysis, investigation or action that is needed. The systems are regularly reviewed by the Audit and Risk Committee.

Internal financial controls are based on a comprehensive and regular reporting structure. Detailed revenue, cash flow and capital forecasts are prepared and updated regularly throughout the year and approved by the Board.

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

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

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

CORPORATE GOVERNANCE ›continued

EXTERNAL AUDIT

The external auditors reported to the committee to confirm that they are and have remained independent from the Group during the year. The Audit and Risk Committee considered information pertaining to the external auditors' relationships with Group that might reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, and has concluded that the external auditors' independence was not impaired. The committee approved the external auditors' terms of engagement and scope of work. Currently, this includes only the audit of the annual consolidated and separate financial statements. Based on written reports submitted, the committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved.

INTERNAL AUDIT

During 2011, the Group implemented an internal audit function performed by an independent, professional firm which reports directly to the Chief Executive Officer and the Chairman of the Audit and Risk Committee. The Group's Internal Audit department carries out risk oriented audits of operational and functional activities, according to the recommendations of the Audit and Risk Committee.

The Audit and Risk Committee also examined and discussed with the auditors the appropriateness of internal controls and utilisation of internal auditors and made recommendations to the Board.

GOVERNANCE OF STAKEHOLDERS' RELATIONSHIPS

The main stakeholders are considered to be the shareholders, the employees, the tenants, the suppliers, the public and fiscal administrations of the locations where the Group carries its activities and the banks with whom the Group entered into contractual agreements. The Group has a transparent information communication policy, with the purpose of enabling stakeholders to make an informed assessment of the Group's economic value and allowing insight into the prospects for future value creation. The Group did not record any refusals of requests for information in terms of the Promotion of Access to Information Act (2000).

GOVERNANCE OF INFORMATION TECHNOLOGY

The Board of Directors confirms that there are processes in place to ensure complete, timely, relevant, accurate and accessible IT reporting from management to the Board and in the Annual Report.

CORPORATE GOVERNANCE ›continued

DIRECTORS' REMUNERATION

Remuneration policy is aligned with the strategic objectives of the Group to create long term sustainable value for shareholders.

Base pay and bonuses: Directors receive only base pay, as bonuses are not part of the Group's policy. Executive salaries are competitive in the market and increases are determined with reference to individual performance, inflation and market related factors.

Participation in the share purchase schemes is restricted to employees and executive directors. Performance measures for share purchase schemes awards are set annually by the Remuneration Committee and shares are allocated based on individual performance. The Group provides loan financing to employees and executive directors for acquiring shares. There are no separate share purchase schemes to encourage retention, aside from the share purchase schemes rewarding performance. Directors' remuneration in 2011 is shown in Note 27 to the financial statements.

COMPANY SECRETARY

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

COMMUNICATION

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

DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE

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

ETHICS

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

SUSTAINABILITY REPORT

The Group is committed to sustainability for the properties it develops and manages in order to minimise the impact upon the environment as far as is practicable. In doing so, long-term value is created and the business risks are minimized. The Group continues to improve its environmental standards, including those affecting health and safety by modifying, upgrading, or replacing buildings' facilities and systems. This approach is applied at all stages: in the way the land and buildings are used; in site and building design and in the construction methods.

Some of the measures taken throughout the past year in view of the sustainability objectives are detailed below.

Lighting is one of the biggest consumption factors of electricity in commercial buildings. Recent technological advances have opened up new opportunities for lighting systems that are highly effective yet still compatible with the sustainability objectives. Throughout 90% of the Group portfolio the lighting systems have been replaced with modern energy-efficient systems to reduce carbon emissions.

Each one of the Group's projects has different environmental challenges and in this respect a special focus is put on identifying the potential impact of the developments on the environment, designing development solutions that meet the requirements of the planning and environmental regulators, recycle materials, conserve energy, reduce consumption of raw materials and minimise waste production.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

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

The consolidated and separate financial statements are required to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

The Group's and Company's financial statements were approved by the Board of Directors on 8 February 2012 and signed on its behalf by:

Martin Slabbert
CHIEF EXECUTIVE OFFICER

Victor Semionov
FINANCIAL DIRECTOR

DECLARATION BY COMPANY SECRETARY

In terms of the Companies Act of South Africa 71 of 2008, as amended, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

Cornelius Eduard Cassell
COMPANY SECRETARY
8 FEBRUARY 2012

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of New Europe Property Investments plc ("the Company") for the year ended 31 December 2011 which comprise the Group's Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows and the Company's Statement of Financial Position, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities for the annual financial statements set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of, whether the accounting policies are appropriate to the Company's and Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2011 and of the Company's and Group's profit for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards.

Ernst & Young LLC

CHARTERED ACCOUNTANTS

ISLE OF MAN

7 MARCH 2012

Ernst & Young LLC

PHOTO: FLOREASCA BUSINESS PARK, BUCHAREST, ROMANIA

FINANCIAL STATEMENTS

For the year ended 31 December 2011

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
		€	€	€	€
ASSETS					
Non-current assets		**362,404,369**	**229,454,757**	**328,991,707**	**159,838,476**
Investment property	8	341,802,837	–	313,755,281	–
— Investment property at fair value		316,393,495	–	300,899,292	–
— Investment property under development		25,409,342	–	12,855,989	–
Goodwill	10	13,351,499	–	13,849,887	–
Investment in subsidiaries and joint ventures	4	–	6,825,948	–	6,825,948
Loans to subsidiaries	4	–	215,862,255	–	153,012,528
Other long term assets	9	6,213,458	5,987,490	–	–
Financial assets at fair value through profit or loss	15	1,036,575	779,064	1,386,539	–
Current assets		**62,816,541**	**14,951,837**	**31,185,529**	**7,697,137**
Trade and other receivables	11	7,751,441	13,844,795	7,338,247	3,924,169
Cash and cash equivalents	12	55,065,100	1,107,042	23,847,282	3,772,968
TOTAL ASSETS		**425,220,910**	**244,406,594**	**360,177,236**	**167,535,613**
EQUITY AND LIABILITIES					
Equity attributable to equity holders		**235,258,940**	**243,173,015**	**155,087,026**	**167,378,832**
Share capital	13	955,693	955,694	712,686	712,686
Share premium	13	227,844,770	227,844,770	159,308,324	159,308,324
Share-based payment reserve	14	7,456,257	7,456,257	759,550	759,550
Currency translation reserve		(2,650,522)	–	(2,964,825)	–
Accumulated profit/(loss)		1,652,742	6,916,294	(2,728,709)	6,598,272
Total liabilities		**189,961,970**	**1,233,579**	**205,090,210**	**156,781**
Non-current liabilities		**174,098,216**	**1,145,997**	**185,374,433**	**–**
Loans and borrowings	15	156,629,879	–	168,564,379	–
Deferred tax liabilities	18	15,086,152	–	15,586,362	–
Financial liabilities at fair value through profit or loss	15	2,382,185	1,145,997	1,223,692	–
Current liabilities		**15,863,754**	**87,582**	**19,715,777**	**156,781**
Trade and other payables	16	5,251,265	87,582	7,656,857	156,781
Loans and borrowings	15	8,235,659	–	9,847,153	–
Tenant deposits	17	2,376,830	–	2,211,767	–
TOTAL EQUITY AND LIABILITIES		**425,220,910**	**244,406,594**	**360,177,236**	**167,535,613**
Net asset value per share	21	**2.41**		**2.18**	
Adjusted net asset value per share	21	**2.43**		**2.22**	

STATEMENT OF INCOME

For the year ended 31 December 2011

	Note	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
		€	€	€	€
Net rental and related income	22	**23,727,203**	–	**16,224,196**	–
— Contractual rental income and expense recoveries		32,069,075	–	21,269,338	–
— Property operating expenses		(8,341,872)	–	(5,045,142)	–
Share-based payment expense	14	(1,041,647)	(1,041,647)	(524,650)	(524,650)
Foreign exchange (loss)/gain		(475,883)	–	178,175	–
Investment advisory fees		–	–	(703,323)	–
Administrative expenses	24	(2,023,349)	(770,773)	(1,991,478)	(392,342)
Fair value adjustment on investment property and goodwill	8, 10	3,010,852	–	1,111,927	–
Profit/(loss) before net finance (expense)/income		**23,197,176**	**(1,812,420)**	**14,294,847**	**(916,992)**
Net finance (expense)/income	23	**(4,925,640)**	**16,520,737**	**(5,906,809)**	**12,137,828**
Finance income		6,253,858	19,505,222	581,765	12,137,828
Finance expense		(11,179,498)	(2,984,485)	(6,488,574)	–
Profit before tax		**18,271,536**	**14,708,317**	**8,388,038**	**11,220,836**
Tax	18	**500,210**	–	**(1,476,694)**	–
Profit for the year attributable to equity holders		**18,771,746**	**14,708,317**	**6,911,344**	**11,220,836**

	Note	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
Weighted average number of shares in issue	19	78,659,834		52,388,748	
Diluted weighted average number of shares in issue	19	84,264,285		56,334,549	
Basic weighted average earnings per share (euro cents)	19	23.86		13.19	
Diluted weighted average earnings per share (euro cents)	19	22.28		12.27	
Distributable earnings per share (euro cents)	19	24.67		17.61	
Headline earnings per share (euro cents)	20	20.04		11.07	
Diluted headline earnings per share (euro cents)	20	18.70		10.29	

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
	€	€	€	€
Profit for the year attributable to equity holders	18,771,746	14,708,317	6,911,344	11,220,836
Other comprehensive income				
— Currency translation differences	314,303	–	(314,756)	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**19,086,049**	**14,708,317**	**6,596,588**	**11,220,836**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

Group	Share capital	Share premium	Share-based payment reserve	Currency translation reserve	Accumulated profit/(loss)	Total
	€	€	€	€	€	€
Opening balance 1 January 2010	**386,247**	**76,731,744**	**234,900**	**(2,650,069)**	**(1,983,359)**	**72,719,463**
Transactions with owners	326,439	82,576,580	524,650	–	(7,656,694)	75,770,975
— Issue of shares	326,439	82,949,893	–	–	–	83,276,332
— Issue cost recognised to equity	–	(373,313)	–	–	–	(373,313)
— Share based payment reserve	–	–	524,650	–	–	524,650
— Dividend distribution	–	–	–	–	(7,656,694)	(7,656,694)
Total comprehensive income	–	–	–	(314,756)	6,911,344	6,596,588
— Other comprehensive income	–	–	–	(314,756)	–	(314,756)
— Profit for the year	–	–	–	–	6,911,344	6,911,344
BALANCE AT 31 DECEMBER 2010	**712,686**	**159,308,324**	**759,550**	**(2,964,825)**	**(2,728,709)**	**155,087,026**
Opening balance 1 January 2011	**712,686**	**159,308,324**	**759,550**	**(2,964,825)**	**(2,728,709)**	**155,087,026**
Transactions with owners	243,007	68,536,446	6,696,707	–	(14,390,295)	61,085,865
— Issue of shares	243,007	69,914,745	–	–	–	70,157,752
— Issue cost recognised to equity	–	(1,378,299)	–	–	–	(1,378,299)
— Share based payment reserve*	–	–	6,696,707	–	–	6,696,707
— Dividend distribution	–	–	–	–	(14,390,295)	(14,390,295)
Total comprehensive income	–	–	–	314,303	18,771,746	19,086,049
— Other comprehensive income	–	–	–	314 303	–	314,303
— Profit for the year	–	–	–	–	18,771,746	18,771,746
BALANCE AT 31 DECEMBER 2011	**955,693**	**227,844,770**	**7,456,257**	**(2,650,522)**	**1,652,742**	**235,258,940**

* This amount includes €5,980,000 relating to the issue of shares in terms of the Current Share Scheme, in relation to which the loans remain outstanding (Note 14).

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

Company	Share capital	Share premium	Share-based payment reserve	Accumulated profit/(loss)	Total
	€	€	€	€	€
Opening balance 1 January 2010	**386,247**	**76,731,744**	**234,900**	**3,034,130**	**80,387,021**
Transactions with owners	326,439	82,576,580	524,650	(7,656,694)	75,770,975
— Issue of shares	326,439	82,949,893	–	–	83,276,332
— Issue cost recognised to equity	–	(373,313)	–	–	(373,313)
— Share based payment reserve	–	–	524,650	–	524,650
— Dividend distribution	–	–	–	(7,656,694)	(7,656,694)
Total comprehensive income	–	–	–	11,220,836	11,220,836
— Profit for the year	–	–	–	11,220,836	11,220,836
BALANCE AT 31 DECEMBER 2010	**712,686**	**159,308,324**	**759,550**	**6,598,272**	**167,378,832**
Opening balance 1 January 2011	**712,686**	**159,308,324**	**759,550**	**6,598,272**	**167,378,832**
Transactions with owners	243,008	68,536,446	6,696,707	(14,390,295)	61,085,866
— Issue of shares	243,008	69,914,745	–	–	70,157,753
— Issue cost recognised to equity	–	(1,378,299)	–	–	(1,378,299)
— Share based payment reserve	–	–	6,696,707	–	6,696,707
— Dividend distribution	–	–	–	(14,390,295)	(14,390,295)
Total comprehensive income	–	–	–	14,708,317	14,708,317
— Profit for the year	–	–	–	14,708,317	14,708,317
BALANCE AT 31 DECEMBER 2011	**955,694**	**227,844,770**	**7,456,257**	**6,916,294**	**243,173,015**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
		€	€	€	€
OPERATING ACTIVITIES					
Profit for the year attributable to equity holders		18,771,746	14,708,317	6,911,344	11,220,836
Adjustments for:					
Share-based payment expense		1,041,647	1,041,647	524,650	524,650
Fair value adjustment on investment property and goodwill		(3,010,852)	–	(1,111,927)	–
Net finance expense/(income)	23	4,925,640	(16,520,737)	5,906,809	(12,137,828)
Foreign exchange loss/(gain)		364,655	–	(178,175)	–
Corporate tax charge and deferred tax	18	(500,210)	–	1,460,883	–
Operating profit before changes in working capital		**21,592,626**	**(770,773)**	**13,513,584**	**(392,342)**
Increase in trade and other receivables		(217,038)	(353,347)	(3,523,580)	–
Decrease in trade and other payables		(3,016,126)	(126,241)	(1,693,910)	(88,663)
Interest paid		(7,649,493)	–	(5,542,335)	–
Interest received		6,476,898	9,792,055	581,765	11,144,166
CASH FLOWS FROM OPERATING ACTIVITIES		**17,186,867**	**8,541,694**	**3,335,524**	**10,663,161**
INVESTING ACTIVITIES					
Acquisition of investment property	8	(24,164,735)	–	(6,343,328)	–
Payments for acquisition of subsidiaries less cash acquired		–	–	(39,098,002)	(81,586)
Loans granted to subsidiaries		–	(62,849,727)	–	(70,353,002)
CASH FLOWS FROM INVESTING ACTIVITIES		**(24,164,735)**	**(62,849,727)**	**(45,441,330)**	**(70,434,588)**
FINANCING ACTIVITIES					
Proceeds from share issuance		68,454,514	68,454,514	71,113,213	71,113,213
Repayment of borrowings		(13,377,307)	–	(8,653,390)	–
Premiums paid on acquisition of derivatives		(2,636,314)	(2,617,552)	(990,000)	–
Payment of dividends		(14,194,855)	(14,194,855)	(7,656,694)	(7,656,694)
CASH FLOWS FROM FINANCING ACTIVITIES		**38,246,038**	**51,642,107**	**53,813,129**	**63,456,519**
Net increase/(decrease) in cash and cash equivalents		**31,268,170**	**(2,665,926)**	**11,707,323**	**3,685,092**
Cash and cash equivalents brought forward	12	23,847,282	3,772,968	12,276,543	87,876
Translation effect on cash and cash equivalents		(50,352)	–	(136,584)	–
CASH AND CASH EQUIVALENTS CARRIED FORWARD	12	**55,065,100**	**1,107,042**	**23,847,282**	**3,772,968**

Significant non-cash transactions

One property in Constanta, previously part of the Raiffeisen portfolio, was sold back to the seller during 2011 as part of a non-cash settlement which also included the purchase of the Victoriei Office property (see details in Note 8 and Note 23).

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

New Europe Property Investments plc is a limited liability company incorporated in the Isle of Man on 23 July 2007 and domiciled in Lord Street, 2nd Floor, Anglo International House, Douglas, Isle of Man. The Company is listed on the main market of the JSE Limited ("JSE"), the regulated market of the Bucharest Stock Exchange ("BVB") and the AIM market of the London Stock Exchange ("AIM"). The Group includes the Company and its subsidiaries as set out under "Basis of consolidation" in note 2.4 below.

These financial statements are presented for the Group (the "consolidated financial statements") and for the Company (the "separate financial statements"), (collectively referred to as the "financial statements").

The Group's activities are detailed in the Director's report and in Note 25.

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 8 February 2012.

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 consistently applied to all the periods presented.

2.1 Functional and presentation currency

The financial statements are presented in Euros (€) unless otherwise indicated, as this is the currency in which the parent Company transacts a substantial part of its business and is the currency considered most convenient for shareholders. Entities located in Romania have RON as a functional currency, while entities located in Germany have different functional currency (€).

2.2 Basis of preparation

The financial statements are prepared on the historical-cost basis, except for investment property, land for investment property under development, derivatives and financial instruments.

Investment property, land for investment property under development and derivatives designated as financial instruments at fair value through profit or loss are measured at fair value.

Management prepared these financial statements on a going concern basis. There are no uncertainties relating to events and conditions that may cast a significant doubt upon the Group's ability to continue as a going concern.

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

The estimates and underlying assumptions are reviewed on an on-going 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.

Property acquisitions and business combinations

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

Asset acquisitions

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

Acquisitions of subsidiaries for which the main assets were not in use at the date of the acquisition and which do not include transfer of processes, other assets or employees are accounted for as asset acquisitions.

Business combinations

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

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

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

Valuation of investment property

Please refer to Note 2.5 and Note 8 for further details.

2.3 Statement of compliance

The 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.

NOTES TO THE FINANCIAL STATEMENTS ›continued

2.4 Basis of consolidation

Subsidiaries

The financial statements incorporate the assets, liabilities, operating results and cash flows of the Company and its subsidiaries.

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. Subsidiaries are consolidated from the date on which control is transferred to the Group (effective date of acquisition or incorporation) and are deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

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

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

Transactions eliminated on consolidation

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

Jointly controlled entities

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

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

2.5 Investment property

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

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

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

Gains or losses on disposal of investment property are calculated as proceeds less carrying amount. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of income for the year within net gain from fair value adjustment on investment property.

2.6 Investment property under development

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

The land on which investment property is constructed or developed is carried at fair value, which is determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of property being valued. Valuations are done using the market comparable approach. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise. Unrealised gains, net of deferred tax, are classified as non-distributable in the accumulated profits. Unrealised losses, net of deferred tax, are transferred to a non-distributable reserve to the extent that the decrease does not exceed the amount held in the non-distributable reserve.

2.7 Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

Subsequent measurement

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

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

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

To the extent that the deferred tax provision in excess of the fair value of that liability is subsequently reduced or eliminated, for example, through a change in the tax circumstances of the Group, the goodwill arising from the initial recognition of the deferred tax provision may become impaired.

The goodwill is tested at the same time as determining the fair value of investment property to which goodwill relates (for the main assumptions see Note 8 and Note 10).

2.8 Loans to participants in the Current Share Scheme (as defined in Note 14)

Loans to participants in the Current Share Scheme are initially recognised at the amount granted, carried at amortised cost and tested annually for impairment.

2.9 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are initially recognised at acquisition cost, carried at amortised cost and tested annually for impairment.

For property, plant and equipment, the costs of minor repairs and maintenance are expensed when incurred and gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the statement of income for the year.

The cost of computer licences and property, plant and equipment is depreciated on a straight-line basis over the following useful lives:

	Useful lives in years
Computer licences	1–3
Office improvements	over the term of the underlying lease
Office equipments	2–16
Equipments used in owner managed activities	3–22

NOTES TO THE FINANCIAL STATEMENTS ›continued

2.10 Borrowings

Borrowings are recognised initially at the fair value of the liability (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price), and net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method. Any difference between the fair value of the borrowing at initial recognition and the proceeds received is recognised in accordance with the substance of the transaction, to equity if the premium or discount at initial recognition effectively represents a capital transaction with the Group's owners. Otherwise, it is recognised in the statement of comprehensive income within finance activity.

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

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

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

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

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

2.11 Tenant security deposits

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

2.12 Financial instruments

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

Derivatives are classified as current or non-current on the basis of their maturity date.

2.12.1 Recognition and subsequent measurement

Financial instruments are initially measured at fair value, which, except for financial instruments at fair value through profit or loss and derivatives, include directly attributable transaction costs.

Subsequent to initial recognition, financial instruments are measured as it is set out in the table below:

FINANCIAL INSTRUMENT	RECOGNITION METHOD
Cash and cash equivalents	Carried at fair value.
Investments in subsidiaries	Carried at cost, net of impairment losses.
Trade and other receivables	Carried at amortised cost using the effective interest rate method net of impairment losses.
Trade and other payables	Carried at amortised cost using the effective interest rate method.
Loans granted to subsidiaries	Carried at amortised cost using the effective interest rate method.
Financial liabilities, including loans and borrowings	Measured at amortised cost using the effective interest rate method.
Derivative financial instruments	Carried at fair value with changes therein recognised in the statement of income. Hedge accounting is not applied.

2.12.2 Derecognition

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

Financial liabilities

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

2.12.3 Offset

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

2.13 Impairment of financial assets

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

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through the statement of income for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the statement of income for the year.

2.14 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

2.15 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.

2.16 Share-based payment reserve

The Group has accounted for the Initial Share Scheme (Note 14) as a share option scheme. The fair value of shares granted to key individuals and their nominated entities is recognised as an expense, with a corresponding increase in equity, over the period that the participants become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

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

The Current Share Scheme is accounted for by recognising in the share-based payment reserve the value of the loans given to employees. The share-based payment reserve is converted to share capital at each vesting date.

2.17 Other reserves

2.17.1 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. Refer to Note 2.30 for details on the method of translation.

2.17.2 Retained earnings

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

2.18 Provisions

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

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

2.19 Revenue

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

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

Service charges and expenses recoverable from tenants

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

2.20 Expenses

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

2.21 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to the statement of income for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

2.22 Dividend received

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

2.23 Dividend distributed

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the Note 19.

2.24 Taxation

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

Deferred tax is determined using the statement of financial position liability method, based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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.

NOTES TO THE FINANCIAL STATEMENTS ›continued

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

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.25 Segment reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, corporate assets (primarily the Company's headquarters) and head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

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

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

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

The group also reports by geographic segments (currently Romania and Germany).

2.26 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.

2.27 Earnings per share

The Group presents basic and diluted earnings per share.

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

Diluted earnings per share is determined by adjusting the profit for the year and the weighted average number of shares in issue for the effects of all dilutive potential ordinary shares issued under the Initial Share Scheme (as defined in Note 14).

NOTES TO THE FINANCIAL STATEMENTS ›continued

2.28 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 Initial Share Scheme and other adjustments that the Board may consider necessary) for the period by the number of shares in issue and which are entitled to a dividend at the end of the period.

2.29 Headline earnings per share

The Group presents basic and diluted headline earnings per share.

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

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

2.30 Foreign exchange translation

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

At 31 December 2011, the principal rate of exchange used for translating foreign currency balances was 1€=4.3197 RON (2010: 1€=4.2848 RON)

The principal average rate of exchange used for translating income and expenses was 1€=4.2189 RON (2010: 1€=4.2110 RON).

2.31 Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011, which are consistent with previously applied accounting policies:

NOTES TO THE FINANCIAL STATEMENTS ›continued

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

NOTES TO THE FINANCIAL STATEMENTS ›continued

Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing financial liabilities with equity instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-time adoption of IFRS", did not have any impact on these financial statements.

2.32 Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 or later, and which the Group has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

— Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

— An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

— All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

— Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS ›continued

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities — Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. This policy could affect the presentation of the operations of the Group's joint ventures in Germany. The Group is currently assessing the impact.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarized financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 27, Separate Financial Statements,(revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

NOTES TO THE FINANCIAL STATEMENTS ›continued

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognized, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, the amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", which considers when and how to account for the benefits arising from the stripping activity in mining industry, will not have any impact on these financial statements.

The new standards and interpretations are not expected to affect significantly the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS ›continued

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

The estimates and underlying assumptions are reviewed on an on-going 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.

Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

3.1 Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 2.7).

3.2 Initial recognition of related party transactions

In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 27.

3.3 Valuation of investment properties

Investment property is stated at its fair value based on reports prepared by an international valuation company at each end of the reporting period.

The valuation was based principally on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

In preparing the valuation reports on the Group's investment property, the external appraisers excluded distressed sales when considering comparable sales prices. Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation, and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS ›continued

The valuation of the income generating properties is based on cash flow statements, in which the present value of net operating income during a ten-year calculation period and the residual value of the property at the end of the period are calculated.

The forecast of the net operating income is based on leases signed as at the valuation date and the estimated rental values for existing leases at expiry as well as the estimated achievable rental values in relation to the existing vacancies. Long-term vacancies are estimated on the basis of the property's location and condition. The valuers' assessments of non-recoverable expenses are based on experience of comparable properties and information on historical costs provided by the Group.

The discount rate used is a nominal required return on total capital before tax and varies between 8.5% and 10%. The required rate of return is based on assessments of the market's required returns for similar properties. The discount rate is set individually for each property and is based on the condition and location of the property, the stability of the tenant and the length of the lease.

The residual value, is the market value of the property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period. The required yield at the end of the calculation period is between 7.5% and 10%.

The resulting weighted average yield was 8.2% for the Group's property portfolio, 8% for the retail portfolio, 8.2% for the office portfolio and 9.9% for the industrial portfolio.

Based on the year-end valuation yield of 8.2%, an increase of 25 basis points would result in a €9.5 million value decrease in the Group's property portfolio.

3.4 Functional currencies of different entities of the Group

Entities within the Group located in Germany have different functional currency (€), based on the underlying economic conditions of their operations, compared to entities in Romania which have RON as a functional currency. This determination, of what the specific underlying economic conditions are, requires judgement. In making this judgement, the Group evaluates among other factors, the location of activities, the sources of revenue, risks associated with activities and denomination of currencies of operations of different entities and also the materiality of each location.

3.5 Business combinations or asset acquisitions

The Group assesses for each property or entity acquired whether the transaction represents a business combination or an asset acquisition. The basis for this assessment is described in Note 2.2.

3.6 Operating lease contracts – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

NOTES TO THE FINANCIAL STATEMENTS ›continued

4 INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

The Company has an investment of €0.01 in New Europe Property (BVI) Limited, representing one share, and indirect holdings in the other companies listed in the table below, which were consolidated in the Group's financial statements:

Subsidiaries/joint ventures as at 31 December 2011

Subsidiary/ Joint venture	Incorporation/ Date became subsidiary or joint venture	Address	Principal activity	Effective interest	Effective Investment €	Amount owing by subsidiary or joint venture €
New Europe Property (BVI) Limited	Jul 2007	Midocean Chambers, Road Town, Tortola, British Virgin Islands	holding company	100%	*	215,862,255**
New Europe Property NV	Sep 2007	123 Pietermaai, Curacao, Netherlands Antilles	holding company	100%	2,000	–
NE Property Cooperatief UA	Oct 2007	231 Schiphol Boulevard Toren B, 5de, 1118BH, Luchthaven Schiphol, Amsterdam, Netherlands	holding company	100%	10,000	–
NEPI Bucharest One SRL	Sep 2007	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	3,844,554	–
NEPI Bucharest Two SRL	Dec 2007	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	2,755,554	–
General Investment SRL	Mar 2003/ Jan 2008	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	25,792,431	–
General Building Management SRL	Aug 2004/ Jan 2008	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	1,405,631	–
CIREF NEPI Holdings Limited	Apr 2008	17 Grigoriou Xenopoulou P.C. 3106, Limassol, Cyprus	holding company	50%***	*	–
CIREF Europe Management Limited	Dec 2007/ Apr 2008	31–33 The TriangleRanelagh, Dublin 6, Ireland	holding company	50%***	*	–
Premium Portfolio Ltd & Co KG	Jan 2008/ Apr 2008	9 Rossertstrasse, 60323 Frankfurt am Main, Germany	investment vehicle	50%***	*	–
Premium Portfolio 2 Ltd & Co KG	Jan 2008/ Apr 2008	9 Rossertstrasse, 60323 Frankfurt am Main, Germany	investment vehicle	50%***	*	–
FDC Braila BV	Sep 2009	231 Schiphol Boulevard 1118BH Amsterdam Schiphol, Netherlands	holding company	100%	8,300,450	–
Bel Rom Sase SRL	Sep 2009	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	8,300,450	–
Connect Investment SRL	Jan 2010	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	14,091,414	–
Nepi Investment Management Ltd	Jun 2010	17 Grigoriou Xenopoulou P.C. 3106, Limassol, Cyprus	investment vehicle	100%	2,000	–
Nepi Investment Management Limited BVI	Jun 2010	Midocean Chambers, PO Box 805, Road Town Tortola, British Virgin Islands	investment vehicle	100%	25,000	–
Nepi Investment Management SA	Jun 2010	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	1,357,158	–
Unique Delamode SRL	Sep 2010	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	1,804,853	–
Ingen Europe BV	Dec 2010	Shiphol Boulevard 231 Toren B, 5de, 1118BH, Schiphol, Netherlands	holding company	100%	18,000	–
Floreasca Business Park SRL	Dec 2010	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	16,446,057	–
NEPI Bucharest Three SRL (renamed to Ploiesti Shopping City SRL in January 2012)	Dec 2010	71–73 Nicolae Caramfil, 4th floor, office 1, Bucharest, District 1, Romania	investment vehicle	100%	45	–
MPM Land Management SRL	Mar 2011	21 Fabrica de Glucoza, 1st floor, office 22, Bucharest, District 2, Romania	investment vehicle	100%	2,491,650	–
Ploiesti Commercial Gallery SRL	May 2011	1C Poligrafiei, 3rd floor, office no 4, Bucharest, District 1, Romania	investment vehicle	100%	3,000,000	–
Central AH Pioneer SA	Aug 2011	13 Charles de Gaulle Square, 1st floor, office 25, Bucharest, District 1, Romania	investment vehicle	100%	8,372,185	–

* Less than €1.
** The amount relates to loans granted by the Company, only at arm's length.
*** Joint venture companies.

NOTES TO THE FINANCIAL STATEMENTS ›continued

The Company had given loans of €215,862,255 to New Europe Property (BVI) Limited (31 December 2010: €153,012,528). There is no change in the cost of investments in subsidiaries compared to 31 December 2010, except for the acquisitions during 2011.

The Company also has indirect holdings in the other companies listed in the table below, which were not consolidated in the Group's financial statements as they are immaterial:

Subsidiary	Incorporation/ Date became subsidiary	Address	Principal activity	Effective interest	Effective Investment €	Amount owing by subsidiary or joint venture €
Just Development SRL	Jun 2011	71-73 Nicolae Caramfil, 4th floor, office 11, Bucharest, District 1, Romania	investment vehicle	100%	48	–
Distinct Services SRL	Aug 2011	13 Charles De Gaulle Square, 4th floor, office 6, Bucharest, District 1, Romania	investment vehicle	100%	55	–
Galaxis Project SRL	Aug 2011	13 Charles De Gaulle Square, 4th floor, office 9, Bucharest, District 1, Romania	investment vehicle	100%	53	–

For more details on the Group's acquisitions in 2011 refer to the Director's report.

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

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The fair values of all financial instruments are substantially the same as the carrying amounts reflected on the statement of financial position.

5.1 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.

NOTES TO THE FINANCIAL STATEMENTS ›continued

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

Credit exposure on financial instruments	Note	Group 31 Dec 2011	Group 31 Dec 2010
		€	€
Loans to participants in Current Share Scheme (including accrued interest)	14	5,987,490	–
Financial assets at fair value	15	1,036,575	1,386,539
Tenants receivables	11	1,385,080	2,125,653
Receivable from CEERES	11	2,411,391	3,718,523
VAT receivable	11	2,261,815	577,862
Cash and cash equivalents	12	55,065,100	23,847,282
TOTAL		**68,147,450**	**31,655,859**

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

The balance of the loans to participants in the Current Share Scheme are not considered to present credit risk as these are guaranteed with shares (see details in Note 14).

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

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The carrying value of financial assets is considered to approximate their fair value.

Aging of trade receivables/Past due but not impaired	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Under 30 days	112,457	97,532
30–60 days	238,539	1,357,142
60–90 days	73,077	712,097
Over 90 days	184,017	2,776,315
TOTAL	**608,090**	**4,943,086**

NOTES TO THE FINANCIAL STATEMENTS ›continued

Tenant receivables not due amount to €3,188,380 (31 December 2010: €901,090).

An amount of €2,411,391 is related to the receivable from Central Eastern European Real Estate Shareholdings BV ("CEERES") not due for another 8 months, which carries an interest rate of three month Euribor plus a margin of 5%. CEERES is the holding company of Avrig Group which has secured its obligations with three properties.

The Group assessed its receivables for impairment and concluded that an amount of €845,507 (2010: €406,446) is unlikely to be recovered in respect of current period revenues; therefore an allowance for doubtful debts was charged to the statement of income.

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

5.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In this respect, the Group prepares budgets, cash flow analyses and forecasts which enable the Directors to assess the level of borrowings required in future periods. Budgets and projections will be used to assess any future potential investment and the Group will consider the existing level of funds held on deposit as part of the process to assess the nature and extent of any future funding requirements.

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 maturities are all considered to be within one year or less. The carrying value of financial liabilities is considered to approximate their fair value.

Further reference on bank loans maturity analysis is made in Note 15.

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Group's fair value of future cash flow of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The carrying value of financial assets and liabilities aproximates their fair value. More details on the business environment and market risk management are presented in the Directors' report.

NOTES TO THE FINANCIAL STATEMENTS ›continued

5.3.1 Currency risk

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

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

The majority of the Group's assets and liabilities are denominated in Euro; therefore there are no significant foreign exchange differences due to fluctuation of exchange rates.

5.3.2 Interest rate risk

The Group is subject to interest rate risk on loans and cash balances held. The Group policy in relation to interest rate risk is to hedge this risk through the use of derivative financial instruments. As of 31 December 2011, the Group held interest rate swaps and interest rate caps as further disclosed in Note 15.

31 Dec 2011	Group 31 Dec 2011	Interest rate
	€	%
Cash in bank	54,964,716	3.79%
Security deposits	100,384	3.25%
TOTAL	**55,065,100**	

31 Dec 2010	Group 31 Dec 2010	Interest rate
	€	%
Cash in bank	22,948,829	2.11%
Security deposits	898,453	3.25%
TOTAL	**23,847,282**	

Sensitivity analysis for interest bearing financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

31 Dec 2011	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
	€	€	€	€
Security deposits	1,004	(1,004)	1,004	(1,004)
Cash deposits	161,577	(161,577)	161,577	(161,577)
TOTAL	**162,581**	**(162,581)**	**162,581**	**(162,581)**

31 Dec 2010	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
	€	€	€	€
Security deposits	8,985	(8,985)	8,985	(8,985)
Cash deposits	202,312	(212,312)	202,312	(212,312)
TOTAL	**211,297**	**(211,297)**	**211,297**	**(211,297)**

As at 31 December 2011, out of loans and borrowings outstanding amount of €164,658,239, borrowings amounting to €34,796,902 had the Euribor base interest rate capped at 2% and borrowings amounting to €104,700,000 had the Euribor base interest rate fixed at 1.8% with an interest rate swap, while the remaning borrowings had fixed interest rates.

As at 31 December 2010, out of loans and borrowings outstanding amount of €177,297,727, borrowings amounting to €80,813,000 had the Euribor base interest rate capped at 2.25% and borrowings amounting to €71,413,947 had the Euribor base interest rate capped at 2%.

6 INTERNAL CONTROLS TO MANAGE RISKS

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

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

- Strategic and business planning – the Group produces and agrees a business plan each year, against which the performance of the business is regularly monitored;
- Investment appraisal – capital projects, major contracts and business and property acquisitions are reviewed in detail and approved by the Investment Committee and/or the Board where appropriate, in accordance with delegated authority limits;
- Financial monitoring – profitability, cash flow and capital expenditure are closely monitored and key financial information is reported to the Board on a monthly basis, including explanations of variances between actual and budgeted performance;
- Systems of control procedures and delegated authorities – there are clearly defined guidelines and approval limits for capital and operating expenditure and other key business transactions and decisions.

NOTES TO THE FINANCIAL STATEMENTS ›continued

7 CAPITAL MANAGEMENT

The primary objective of the Group’s capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

Capital is being primarily monitored by using the loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. As at 31 December 2011, the Group's loan to value ratio was 32% (31 December 2010: 49%). During the period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

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

8 INVESTMENT PROPERTY

A schedule of investment property is included on pages 92 and 93 of the Annual Report.

Movement in investment property at fair value	**Group 31 Dec 2011**	**Group 31 Dec 2010**
	€	€
Carrying value at beginning of year	300,899,292	139,222,255
Additions from business combination	–	159,813,193
Transferred from investment property under development	19,596,645	–
Disposals	(5,809,000)	–
Fair value adjustment	1,706,558	1,863,844
CARRYING VALUE AT END OF YEAR	**316,393,495**	**300,899,292**

Investment property is carried at fair value that is assessed on an annual basis. The Group obtained independent appraisal reports from DTZ Echinox Consulting SRL and Apollo Real Estate AG & Co. KG, which are members of RICS (Royal Institution of Chartered Surveyors). The fair value of investment property is based on the year-end appraisal reports.

A fair value adjustment was made in accordance with the Group accounting policies to assess fair values on an annual basis. The Group has disposed of the Constanta property at an option price of €5,809,000. The Group’s investment properties at the end of the reporting period included retail, office and industrial properties and an immaterial amount of residential property in Germany.

NOTES TO THE FINANCIAL STATEMENTS ›continued

	Promenada Mall Braila	Brasov Strip Mall	Brasov Office	Ploiesti Shopping City	Victoriei Office	Constanta property	Retail Park Auchan Pitesti extension	Other	Total
	€	€	€	€	€	€	€	€	€
Opening balance as of 1 Jan 2011	3,841,323	–	4,939,666	2,500,000	–	1,575,000	–	–	12,855,989
Additions from asset deals and construction in progress	5,418,779	4,326,290	487,219	4,293,775	11,386,000	2,900	4,374,050	58,303	30,347,316
Fair value adjustments	–	–	(236,921)	258,603	1,781,000	–	–	–	1,802,682
Assets which became operational and were transferred to Investment Property at fair value	(9,260,102)	(4,326,290)	–	–	–	(1,577,900)	(4,374,050)	(58,303)	(19,596,645)
Closing balance as at 31 Dec 2011	**–**	**–**	**5,189,964**	**7,052,378**	**13,167,000**	**–**	**–**	**–**	**25,409,342**

All additions to investment property under development during 2011 were accounted for as asset acquisitions. Borrowing costs capitalised in 2011 amount to €1,023,770.

9 OTHER LONG TERM ASSETS

The other long term assets are classified as follows:

	Group 31 Dec 2011
	€
Loans to participants in the Current Share Scheme (Note 14)	5,987,490
Property, plant and equipment and intangible assets	225,968
TOTAL	**6,213,458**

The property, plant and equipment and intangible assets are detailed as follows:

	Cost	Accumulated Depreciation/ Amortisation	Net book value
	€	€	€
Computer licences	12,549	(3,913)	8,636
Office improvements and equipments	123,938	(34,940)	88,998
Equipments used in owner managed activities	135,036	(6,702)	128,334
TOTAL	**271,523**	**(45,555)**	**225,968**

NOTES TO THE FINANCIAL STATEMENTS ›continued

10 GOODWILL

The Group recognises goodwill for the following prior years' business acquisitions:

	Promenada Mall Braila	Raiffeisen portfolio	Retail Park Auchan Pitesti	Floreasca Business Park	Internalisation of Nepi Investment Management	Total
	€	€	€	€	€	€
Balance as of 1 Jan 2010	**2,028,341**	**2,386,463**	**–**	**–**	**–**	**4,414,804**
Arising in business combinations during 2010	–	–	2,394,014	1,664,414	5,881,776	9,940,204
Subsequent adjustments of purchase price in Promenada Mall Braila	(505,121)	–	–	–	–	(505,121)
Balance as of 31 Dec 2010	**1,523,220**	**2,386,463**	**2,394,014**	**1,664,414**	**5,881,776**	**13,849,887**
Reversal	–	(498,388)	–	–	–	(498,388)
Balance as of 31 Dec 2011	**1,523,220**	**1,888,075**	**2,394,014**	**1,664,414**	**5,881,776**	**13,351,499**

As a result of the sale of the Constanta property, the Group recorded a goodwill reversal of €498,388. No goodwill impairment resulted from the tests performed.

11 TRADE AND OTHER RECEIVABLES

	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
	€	€	€	€
Tenant receivables	1,385,080	–	2,125,653	–
Receivable from CEERES (Note 5.1)	2,411,391	–	3,718,523	–
Advance payments	266,990	–	86,443	–
Prepaid property expenses	491,332	–	321,658	–
Prepaid administrative charges	161,165	–	166,903	–
VAT receivable	2,261,815	–	577,862	–
Other receivables	334,820	–	247,590	–
Other prepaid fees	438,849	–	93,615	–
Interest receivable	–	13,844,795	–	3,924,169
CARRYING VALUE AT END OF YEAR	**7,751,441**	**13,844,795**	**7,338,247**	**3,924,169**

12 CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents by currencies	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
	€	€	€	€
EUR	53,466,808	1,072,270	21,760,505	3,688,615
GBP	1,222	442	364	–
ZAR	43,319	34,330	85,327	84,353
RON	1,553,751	–	2,001,086	–
TOTAL	**55,065,100**	**1,107,042**	**23,847,282**	**3,772,968**

NOTES TO THE FINANCIAL STATEMENTS ›continued

13 SHARE CAPITAL AND SHARE PREMIUM

Movement of ordinary shares	Share capital	Share premium
	€0.01/share	€
Authorised on 23 August 2007: 150,000,000 ordinary shares of €0.01 each		
Issued as of 01 January 2010	**386,247**	**76,731,744**
Issued during the year		
— Issued 9,310,823 ordinary shares at €2.25/share	93,108	20,856,242
— Issued 5,882,352 ordinary shares at ZAR 25.5/share (equivalent to €2.59/share)	58,824	15,377,960
— Issued 2,450,748 ordinary shares at €2.58/share	24,507	6,298,422
— Issued 15,000,000 ordinary shares at €2.67/share for the shareholders on the UK register and respectively ZAR 26/share for the shareholders on the South African register, in terms of a rights issue	150,000	40,417,269
Finance raising costs deducted from share premium	–	(373,313)
CARRIED FORWARD AS AT 31 DECEMBER 2010	712,686	159,308,324
Issued as of 01 January 2011	**712,686**	**159,308,324**
Issued during the year		
— Issued 9,564,245 ordinary shares at €3.0143/share*	95,642	28,734,126
— Issued 14,285,714 ordinary shares at €2.793/share**	142,857	39,857,142
— Sale of 400,000 shares issued under the Initial Share Scheme at €2.9284/share	4,000	1,167,360
— Sale of 50,793 shares issued under the Initial Share Scheme at €3.0836/share	508	156,117
— Cost of rights issue	–	(368,923)
— Foreign exchange loss related to the rights issue	–	(986,038)
— Cost of private placement	–	(23,338)
CARRIED FORWARD AS AT 31 DECEMBER 2011	**955,693**	**227,844,770**

* The shares were issued on 21 June 2011 as part of the private placement.
** The shares were issued on 7 December 2011 as part of the rights issue.

The issued share capital figure presented excludes shares issued in terms of the Initial Share Scheme and Current Share Scheme (set out in Note 14), but includes the shares sold by the participants in the share purchase schemes to other investors.

The ordinary shares carry the right to vote at general meetings, the right to dividends and the right to the surplus assets of the Group on a winding-up.

The ordinary shares carry pre-emption rights as well as transfer rights as indicated in the Company's Admission Document published at the time of admission to the AIM market of the London Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS ›continued

Rights issue

In December 2011, the Company successfully concluded a rights offer and issued 14,285,714 new ordinary shares, thereby raising €39.9 million of capital. The rights offer was fully underwritten by a wholly-owned subsidiary of Fortress Income Fund Limited ("Fortress"). Given that the rights offer was fully subscribed for after taking into account the excess applications received, Fortress has not been allocated any rights offer shares pursuant to its underwriting obligation. Details on Directors and their associates which exercised their rights and purchased ordinary shares are listed in Note 27.

Private placement

In June 2011, the Company raised €28.8 million through a private placement that was heavily oversubscribed. The total allocation in the private placing was 9,564,245 shares.

14 SHARE BASED PAYMENTS

The Company has issued shares to its employees under two share purchase schemes. The first share purchase scheme was in place since before the internalisation of NEPI's Investment Advisor (the "Initial Share Scheme"). The second share purchase scheme was approved by the shareholders of the Company on 3 May 2011 and is the scheme in terms of which all new share purchase scheme issues are implemented (the "Current Share Scheme") (collectively, the Initial Share Scheme and Current Share Scheme are defined as "share purchase schemes").

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

The Company offers each participant the immediate right to subscribe for the relevant number of shares at their then market value less a maximum discount of 5%, together with a loan to fund such subscription. Each loan carries interest at the weighted average rate at which the Company is able to borrow money from its bankers. Each loan is repayable in full, together with interest, ten years after its relevant subscription date, but can be repaid earlier.

The Company has security interests over the shares held in the share purchase schemes 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 share purchase schemes. In case of the shares issued under the Initial Share Scheme, the Company's recourse against each participant is limited to the shares issued in terms of this scheme.

NOTES TO THE FINANCIAL STATEMENTS ›continued

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. In case of the Current Share Scheme any excess dividend after interest payment is applied towards repayment of the loan.

The maximum number of shares that can be issued under the share purchase schemes is 8,000,000. As at 31 December 2011, 5,205,397 shares were issued and loans in amount of €12,722,541 remained outstanding under the Initial Share Scheme (of which the loans in respect of the vested shares amounted to €3,661,979 in 2011 and €1,117,470 in 2010) and 2,000,000 shares were issued and loans in amount of €5,980,000 remained outstanding under the Current Share Scheme (there were no vested shares in the Current Share Scheme as at 31 December 2011).

Number of shares	Group 31 Dec 2011	Group 31 Dec 2010
Maximum number of share purchase schemes shares which can be offered for subscription	**8,000,000**	**1,632,882**
Share purchase schemes shares issued and alloted at the end of the period	7,205,397	5,205,397
Share purchase schemes shares issued and alloted at the beginning of the period	5,205,397	1,632,882
Share purchase schemes shares issued and alloted during the period	2,000,000	3,572,515
Share purchase schemes shares available but unissued	**794,603**	**–**

Accounting treatment

The Initial Share Scheme is accounted for as a share option scheme. Therefore, the fair value of the share-based payment, determined at the grant date, is expensed over the vesting period (2011: €1,041,647) with a corresponding increase in the share-based payment reserve (the balance being €1,476,257 at 2011 year-end and €759,550 at 2010 year-end). The interest charged by the Company on the loans granted in terms of the Initial Share Scheme is not recognised to the statement of income but added for calculation of distributable earnings purposes only (2011: €685,186).

The Current Share Scheme is accounted for by recognising the value of the shares issued as an asset and classified as "loan to participants in the Current Share Scheme" (Note 9) and respectively as equity and classified as "share-based payment reserve". At each vesting date, the vested value of the shares issued in terms of the Current Share Scheme is reclassified from "share-based payment reserve" to "share capital". The accrued interest is recognised as finance income in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS ›continued

15 LOANS AND BORROWINGS

In April 2011, the Group repaid the €6.8 million Alpha Bank loan facility that was due for repayment and replaced this in June 2011 with a €9.5 million revolving facility from Unicredit Bank. The new revolving facility carries an interest rate of one month Euribor plus 3.0% and matures on 31 May 2012 when, at the Group's option, the facility is convertible into a term-loan repayable on 31 December 2014. As at 31 December 2011, the new facility was undrawn.

The Group entered into a swap agreement during November 2011, fixing its base rate in relation to €104.7 million of its interest bearing debt at 1.8% for 5 years from this date.

Details of bank loans are set out in the table below. The repayment profile of the Group's outstanding loans at undiscounted cost is set out in the table below (excluding future interest):

Interest bearing borrowings Group, 31 Dec 2011	**Payable in 1 year**	**Payable between 2–5 years**
	€	€
Nepi Bucharest One	–	6,028,180
Premium Portfolio	241,105	13,089,811
General Investment	1,064,641	7,657,294
Floreasca Business Park	1,794,103	66,014,382
Retail Park Auchan Pitesti	2,139,366	26,350,819
Vendor finance	–	100,386
Promenada Mall	2,155,653	37,389,007
Accrued interest on Premium Portfolio	363,814	–
Accrued interest Floreasca Business Park	468,773	–
Accrued interest on Vendor finance	8,204	–
TOTAL	**8,235,659**	**156,629,879**

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

The reconciliation of the amortised cost of the interest bearing borrowings to their nominal value which is subject to interest charge is given in the following table:

Interest bearing borrowings 31 Dec 2011	Amortised cost	Finance raising cost	Nominal value
	€	€	€
Nepi Bucharest One	6,179,545	20,455	6,200,000
Nepi Bucharest Two and Unique Delamode	(151,366)	151,366	–
Premium Portfolio	13,330,916		13,330,916
Vendor finance	100,386	–	100,386
General Investment	8,721,936	–	8,721,936
Promenada Mall Braila	39,544,660	455,340	40,000,000
Retail Park Auchan Pitesti	28,490,185	106,717	28,596,902
Floreasca Business Park	67,808,485		67,808,485
Accrued interest	840,791	–	840,791
TOTAL	**164,865,538**	**733,878**	**165,599,416**

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

Nepi Bucharest One revolving credit facility

The Group contracted a €6,200,000 loan facility with Alpha Bank Romania SA for the acquisition of properties owned by Nepi Bucharest One. The loan bears interest at a floating rate of one month Euribor plus a margin of 4.5%. The Group has capped its Euribor base interest rate at 2%.

Security

- General security over the land and properties, current assets, cash inflows from operating activities and shares of Nepi Bucharest One;
- Corporate guarantee issued by the Company.

Covenants

- Loan to value ratio of maximum 65%.

NOTES TO THE FINANCIAL STATEMENTS ›continued

Revolving facility for New Europe Property Investments PLC, Nepi Bucharest Two SRL and Unique Delamode SRL

The Group contracted a €9,500,000 revolving facility which carries an interest rate of one month Euribor plus a margin of 3%. The Group has capped its Euribor base interest rate at 2%. The facility matures on 31 May 2012 when, at the Group's option, the facility is convertible into a term loan repayable on 31 December 2014.

Security

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

Covenants

— Loan to value ratio of maximum 60%; and
— Debt service ratio of minimum 125%.

As at 31 December 2011, this facility was undrawn.

Premium Portfolio

A loan from Nord LB Bank was contracted in relation to the acquisition of Premium Portfolio in Germany. It bears interest at a fixed rate of 5.17% as a result of an interest rate swap concluded with Nord LB Bank.

Security

— General security over the property, current assets and cash inflows of Premium Portfolio Ltd & Co and Premium Portfolio 2 Ltd & Co.

Covenants

— Loan to value ratio of maximum 90%; and
— Debt service ratio of minimum 115%.

General Investment loan

A loan from EuroHypo AG for an amount of €15,000,000, of which €8,721,936 outstanding as at 31 December 2011, has been taken over as a result of the acquisition of General Investment SRL and General Building Management SRL. The loan bears interest at a fixed rate of 6.23%.

Security

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

Covenants

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

Promenada Mall Braila loan

A €40,000,000 development loan was taken over and refinanced on 25 February 2010 with KBC Bank Ireland as part of the Promenada Mall Braila acquisition. The facility has a two-year grace period on repayment of the principal after which, starting 2012, 16% of the principal has to be repaid in equal annual instalments until maturity in December 2014. The loan bears interest at a floating rate of three month Euribor plus a margin of 3%. The Group swapped its Euribor base interest rate at 1.8%.

Security

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

Covenants

- The covenants on a portfolio basis are the following:

	Year 1	Year 2	Year 3	Year 4	Year 5
Loan to value ratio of maximum	69%	69%	62%	56%	50%
Interest service coverage ratio of minimum	180%	200%	220%	220%	220%

Retail Park Auchan Pitesti loan

In June 2010, the Group successfully refinanced a loan facility in relation to Retail Park Auchan Pitesti with a new loan facility from Unicredit Bank and Banca Romaneasca. The facility of €28,813,000 matures in December 2014 with principal amortisation starting in 2012. The loan bears interest at a floating rate of one month Euribor plus a margin of 4.0%. The Group capped its Euribor base interest rate at 2%.

Security

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

Covenants

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

Floreasca Business Park loan

The Group has taken over a loan from Raiffeisen ZentralbankOstrreich AG with an outstanding amount of €67,808,485 as at 31 December 2011. The loan matures at the end of 2013 and is repayable in quarterly instalments. The bank is entitled to a 100% share of the after tax cash inflow obtained by Floreasca Business Park. The borrowed amount bears interest at a floating rate of three month Euribor plus a margin of 2.5%. The Group has swapped its Euribor base interest rate exposure in relation to the loan at 1.8%.

Security

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

Covenants

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

The fair value of the financial instruments resulting from the hedge transactions mentioned above are summarized as follows:

	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Financial assets		
— Company	779,064	–
— Subsidiaries	257,511	1,386,539
TOTAL FINANCIAL ASSETS	**1,036,575**	**1,386,539**
Financial liabilities		
— Company	1,145,997	–
— Subsidiaries	1,236,188	1,223,692
TOTAL FINANCIAL LIABILITIES	**2,382,185**	**1,223,692**

16 TRADE AND OTHER PAYABLES

	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
	€	€	€	€
Payable for assets under construction	1,878,237	–	1,141,976	–
Property related payables	1,089,666	–	4,502,285	–
Advances from tenants	1,261,475	–	1,150,111	–
Administrative and secretarial accrued expenses	976,685	87,582	817,485	156,781
Accrued management fee	45,202	–	45,000	–
TOTAL	**5,251,265**	**87,582**	**7,656,857**	**156,781**

NOTES TO THE FINANCIAL STATEMENTS ›continued

17 TENANT DEPOSITS

	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Nepi Bucharest Two	1,717,630	1,717,258
Connect Investment	371,823	241,359
Floreasca Business Park	71,825	75,840
Nepi Bucharest One	18,205	35,732
Promenada Mall Braila	105,316	57,424
Other deposits	92,031	84,154
TOTAL	**2,376,830**	**2,211,767**

18 CORPORATE TAX CHARGE AND DEFERRED TAX

	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Current year tax	–	–
Deferred tax (income)/expense	(500,210)	1,460,883
TAX EXPENSE	**(500,210)**	**1,460,883**
Deferred tax acquired in business combinations	–	6,737,165
Deferred tax brought forward	15,586,362	7,388,314
DEFERRED TAX LIABILITY CARRIED FORWARD	**15,086,152**	**15,586,362**

Group subsidiaries are subject to corporate tax on an annual basis. The Group carries forward aggregate prior year fiscal losses amounting €36,050,399 (2010: €17,094,522) that are available up to seven years for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised for fiscal losses of €8,510,921, as these could have been used only to offset the taxable profits of certain companies in the Group, and there is uncertainty whether these companies will generate taxable profit in the future. The German subsidiaries have not accrued any taxable profits since commencing business on 15 April 2008.

The deferred tax balance as of 31 December 2011, is the net result of the deferred tax asset resulting from fiscal losses and deferred tax liabilities resulting from differences between the fiscal base and the accounting base of assets and liabilities, especially investment property.

Reconciliation of tax rate	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Profit before tax	18,271,536	8,388,038
Isle of Man income tax at 0%	–	–
Effect of higher rates on overseas earnings	–	15,811
Total current year tax excluding deferred tax	–	–
EFFECTIVE TAX RATE	**0.00%**	**0.00%**

NOTES TO THE FINANCIAL STATEMENTS ›continued

19 EARNINGS, DILUTED EARNINGS AND DISTRIBUTABLE EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2011, was based on the profit attributable to ordinary equity holders of €18,771,746 (31 December 2010: €6,911,344) and the weighted average number of 78,659,834 ordinary shares (31 December 2010: 52,388,748) in issue during the year (excluding the shares issued under the Initial Share Scheme).

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary equity holders of €18,771,746 (31 December 2010: €6,911,344) and the weighted average number of 84,264,285 (31 December 2010: 56,334,549) ordinary shares in issue during the year (including the share purchase schemes shares). The calculation of distributable earnings per share was based on profit after tax, adjusted as shown in the table below, to arrive at the distributable earnings and the number of shares in issue at 31 December 2011.

	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Profit for the year attributable to equity holders	**18,771,746**	**6,911,344**
Unrealised foreign exchange loss/(gain)	475,883	(178,175)
Acquisition fees	–	831,369
Share-based payment expense	1,041,647	524,650
Accrued interest on share-based payments	685,186	491,064
Fair value adjustments in investment property and goodwill	(3,010,852)	(1,111,927)
Financial assets at fair value	4,263,016	836,397
Amortization of the financial assets	(972,520)	(426,032)
Deferred tax (income)/expense	(500,210)	1,460,883
Share issue cum distribution	2,323,347	2,325,443
Distributable earnings for the year	**23,077,243**	**11,665,016**
(Less) dividends declared	(18,689,531)	(11,665,016)
Interim dividend	(8,293,733)	(4,869,996)
Final dividend	(10,395,798)	(6,795,020)
Earnings not distributed	4,387,712	–
Number of shares entitled to distribution*	99,196,545	73,346,586
Distributable earnings per share (euro cents)	**24.67**	**17.61**
(Less) dividends declared (euro cents)	**(20.25)**	**(17.61)**
Interim dividend per share (euro cents)	(9.77)	(8.35)
Final dividend per share (euro cents)	(10.48)	(9.26)
Earnings per share not distributed (euro cents)	**4.42**	**–**

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

NOTES TO THE FINANCIAL STATEMENTS ›continued

Weighted average number of shares (excluding the Initial Share Scheme shares) for basic earnings per share purposes:

2011	Event	Number of shares	% of period	Weighted average
01/01/2011	Existing shares	71,268,704	35%	25,257,315
10/05/2011	Share issue	73,268,704	11%	8,252,794
20/06/2011	Private placement	82,832,949	28%	23,211,431
06/11/2011	Sale of share purchase schemes shares	83,232,949	19%	15,508,353
07/12/2011	Rights issue	97,518,663	6%	6,161,894
30/12/2011	Sale of share purchase schemes shares	97,569,456	0%	268,048
31/12/2011	Year-end			78,659,834

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

Weighted average number of shares (including the Initial Share Scheme shares) for diluted earnings per share purposes:

2011	Event	Number of shares	% of period	Weighted average
01/01/2011	Existing shares	76,933,734	35%	27,264,977
10/05/2011	Share issue*	78,933,734	11%	8,890,888
20/06/2011	Private placement	88,497,979	28%	24,798,884
07/12/2011	Rights issue	102,783,693	25%	23,309,536
31/12/2011	Year-end			84,264,285

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

20 HEADLINE EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share for the year ended 31 December 2011, was based on headline earnings of €15,760,894 (31 December 2010: €5,799,417) and the weighted average of 78,659,834 ordinary shares in issue during the year excluding the Initial Share Scheme shares (31 December 2010: 52,388,748 ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS ›continued

The calculation of diluted headline earnings per share for the year ended 31 December 2011, was based on headline earnings of €15,760,894 (31 December 2010: €5,799,417) and the weighted average of 84,264,285 ordinary shares in issue during the year including the share purchase schemes shares (31 December 2010: 56,334,549 ordinary shares).

Reconciliation of profit for the year to headline earnings	**Group 31 Dec 2011**	**Group 31 Dec 2010**
	€	€
Profit for the year attributable to equity holders	18,771,746	6,911,344
Fair value adjustment of investment property and goodwill	(3,010,852)	(1,111,927)
HEADLINE EARNINGS	**15,760,894**	**5,799,417**

21 NET ASSET VALUE PER SHARE

Reconciliation of net asset value to adjusted net asset value	**Group 31 Dec 2011**	**Group 31 Dec 2010**
	€	€
Adjusted net asset value	**249,738,983**	**170,571,937**
Net asset value per the statement of financial position	235,258,940	155,087,026
Loans in respect of the Initial Share Scheme	12,745,390	13,748,436
Deferred tax liabilities	15,086,152	15,586,362
Goodwill	(13,351,499)	(13,849,887)
Number of shares in issue at year-end	**102,783,693**	**76,933,734**
Net asset value per share	**2.41**	**2.18**
Adjusted net asset value per share	**2.43**	**2.22**
Number of shares for net asset value per share purposes	**97,569,456**	**71,268,704**
Number of shares for net adjusted asset value per share purposes	**102,783,693**	**76,933,734**

22 NET RENTAL AND RELATED INCOME

Net rental and related income comprises the following:

	Group 31 Dec 2011	**Group 31 Dec 2010**
	€	€
Rent	25,974,864	17,822,030
Service charges recoveries	3,239,523	1,911,029
Other recoveries	2,854,688	1,536,279
Recoveries and contractual rental income	**32,069,075**	**21,269,338**
Property management, tax, insurance and utilities	(6,987,637)	(4,059,030)
Property maintenance cost	(508,728)	(579,666)
Provisions and allowances for doubtful debts	(845,507)	(406,446)
Property operating expenses	**(8,341,872)**	**(5,045,142)**
Net rental and related income	**23,727,203**	**16,224,196**

NOTES TO THE FINANCIAL STATEMENTS ›continued

Where the Group is the lessor, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group 31 Dec 2011	Group 31 Dec 2010
	€	€
Not later than 1 year	24,936,668	21,958,961
Later than 1 year and not later than 5 years	70,459,731	61,766,218
Later than 5 years	49,232,296	37,678,490
Total operating lease receivable	**144,628,695**	**121,403,669**

23 NET FINANCE (EXPENSE)/INCOME

	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
	€	€	€	€
Interest income on bank deposits	321,598	3,533	581,765	11,077
Interest income from subsidiaries	–	19,501,689	–	12,126,751
Interest on Current Share Scheme loans	223,040	–	–	–
Interest and penalties on overdue receivables	5,709,220	–	–	–
Finance income	**6,253,858**	**19,505,222**	**581,765**	**12,137,828**
Interest expense on financial liabilities measured at amortised cost	(7,034,726)	–	(5,652,177)	–
Net changes of financial instruments at fair value through profit or loss	(4,144,772)	(2,984,485)	(836,397)	–
Finance expense	**(11,179,498)**	**(2,984,485)**	**(6,488,574)**	**–**
Net finance (expense)/income recognised in statement of income	**(4,925,640)**	**16,520,737**	**(5,906,809)**	**12,137,828**

The interest and penalties on overdue receivables resulted from the settlement with the vendor of the Raiffeisen office portfolio in relation to non-performance of certain obligations towards the Group. The Constanta property was returned to the vendor under the terms of the same settlement.

24 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2011	Company 31 Dec 2011	Group 31 Dec 2010	Company 31 Dec 2010
	€	€	€	€
Directors' remuneration	(379,717)	(356,998)	(223,933)	(201,005)
Cost of acquisition of subsidiary	(106,615)	–	(831,369)	(31,082)
Stock exchange expenses	(129,722)	(115,873)	(99,284)	(99,284)
Companies administration	(129,612)	–	(172,856)	–
Audit and advisory services	(247,681)	(70,323)	(322,444)	–
Travel and accommodation	(196,203)	(51,506)	(166,554)	–
Support and maintenance services	(780,755)	(152,514)	(127,802)	(57,312)
Bank charges	(53,044)	(18,872)	(47,236)	(3,659)
Administrative expenses	**(2,023,349)**	**(770,773)**	**(1,991,478)**	**(392,342)**

NOTES TO THE FINANCIAL STATEMENTS ›continued

25 SEGMENT REPORTING

The Group operates its assets to obtain returns in form of property rent revenue. Properties held by the Group are classified as retail, office building and industrial. On a primary basis, the Group manages its operations in accordance with the above classification.

Group administrative costs, profit/loss on disposal of investment property, finance revenue, finance costs and income taxes are not reported to the Board on a segment basis. There are no sales between segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, corporate assets (primarily the Company's headquarters) and head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill. Segment assets represent investment property. Segment liabilities represent loans and borrowings, as these are the only liabilities reported to the Board on a segment basis. The Group's primary format for segment reporting is based on business segments.

Segment results 31 Dec 2011	**Retail**	**Industrial**	**Office**	**Corporate**	**Total**
	€	€	€	€	€
Contractual rental income and expense recoveries	14,848,471	1,830,940	15,389,664	–	32,069,075
Property operating expenses	(4,756,150)	(241,288)	(3,311,988)	(32,446)	(8,341,872)
Administrative expenses	(621,649)	(219,911)	(1,523,143)	341,354	(2,023,349)
Fair value adjustment on investment property and goodwill	4,037,665	(288,261)	(738,552)	–	3,010,852
Foreign exchange gain/(loss)	(327,698)	16,045	(49,453)	(114,777)	(475,883)
Share-based payment expense	–	–	–	(1,041,647)	(1,041,647)
Segment profit/(loss) before net finance expense	**13,180,639**	**1,097,525**	**9,766,528**	**(847,516)**	**23,197,176**
Finance income	47,833	2,056	23,311	6,180,658	6,253,858
Finance expense	(8,300,676)	(1,286,570)	(4,327,666)	2,735,414	(11,179,498)
PROFIT BEFORE TAX	**4,927,796**	**(186,989)**	**5,462,173**	**8,068,556**	**18,271,536**

Segment results 31 Dec 2010	**Retail**	**Industrial**	**Office**	**Corporate**	**Total**
	€	€	€	€	€
Contractual rental income and expense recoveries	13,636,990	1,376,030	6,256,318	–	21,269,338
Property operating expenses	(3,164,865)	(192,516)	(1,117,409)	(570,352)	(5,045,142)
Administrative expenses	(584,204)	(359,278)	(215,819)	(832,177)	(1,991,478)
Fair value adjustment on investment property and goodwill	3,702,176	(221,835)	(2,368,414)	–	1,111,927
Foreign exchange gain/(loss)	(27,561)	15,237	183,796	6,703	178,175
Share-based payment expense	–	–	–	(524,650)	(524,650)
Investment Advisor management fee	–	–	–	(703,323)	(703,323)
Segment profit/(loss) before net finance expense	**13,562,536**	**617,638**	**2,738,472**	**(2,623,799)**	**14,294,847**
Finance income	65,750	2,059	33,701	480,255	581,765
Finance expense	(2,400,731)	(355,372)	(307,964)	(3,424,507)	(6,488,574)
PROFIT BEFORE TAX	**11,227,555**	**264,325**	**2,464,209**	**(5,568,051)**	**8,388,038**

NOTES TO THE FINANCIAL STATEMENTS ›continued

Segment assets and liabilities 31 Dec 2011	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Segment assets					
Investment property at fair value	166,341,301	17,060,000	132,992,194	–	316,393,495
Investment property under development	7,052,478	–	18,356,864	–	25,409,342
Financial assets at fair value through profit or loss	37,685	–	–	998,890	1,036,575
Other long term assets	184,330	–	–	6,029,128	6,213,458
Trade and other receivables	1,853,103	29,535	327,274	5,541,529	7,751,441
Cash and cash equivalents	2,357,170	425,749	2,886,697	49,395,484	55,065,100
Goodwill	–	–	–	13,351,499	13,351,499
TOTAL SEGMENT ASSETS	**177,826,067**	**17,515,284**	**154,563,029**	**75,316,530**	**425,220,910**
Segment liabilities					
Loans and borrowings	82,957,342	–	73,672,537	–	156,629,879
Non-current liabilities	1,236,188	–	–	16,232,149	17,468,337
Accounts payable	2,784,204	193,040	1,378,505	895,516	5,251,265
Interest bearing borrowings	4,899,937	–	3,335,722	–	8,235,659
Tenant deposits	502,117	1,717,628	157,085	–	2,376,830
TOTAL SEGMENT LIABILITIES	**92,379,788**	**1,910,668**	**78,543,849**	**17,127,665**	**189,961,970**

Segment assets and liabilities 31 Dec 2010	Retail	Industrial	Office	Corporate	Total
	€	€	€	€	€
Segment assets					
Investment property	144,663,537	17,340,001	138,895,754	–	300,899,292
Investment property under development	3,841,323	–	6,514,666	2,500,000	12,855,989
Financial assets at fair value through profit or loss	364,562	–	–	1,021,977	1,386,539
Trade and other receivables	1,332,523	788,682	1,904,662	3,312,380	7,338,247
Cash and cash equivalents	3,026,540	179,667	2,524,068	18,117,007	23,847,282
Goodwill				13,849,887	13,849,887
TOTAL SEGMENT ASSETS	**153,228,485**	**18,308,350**	**149,839,150**	**38,801,251**	**360,177,236**
Segment liabilities					
Loans and borrowings	88,436,664	–	80,127,715	–	168,564,379
Non-current liabilities	1,223,692	–	–	15,586,362	16,810,054
Accounts payable	1,081,605	1,978,025	2,463,921	2,133,306	7,656,857
Interest bearing borrowings	939,301	5,787,960	3,119,892		9,847,153
Tenant deposits	340,034	1,718,096	153,637	–	2,211,767
TOTAL SEGMENT LIABILITIES	**92,021,296**	**9,484,081**	**85,865,165**	**17,719,668**	**205,090,210**

NOTES TO THE FINANCIAL STATEMENTS ›continued

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

Geographic segments revenue and results	Romania 2011	Romania 2010	Germany 2011	Germany 2010	Consolidated 2011	Consolidated 2010
	€	€	€	€	€	€
Recoveries and contractual rental income	30,585,322	19,726,611	1,483,753	1,542,727	32,069,075	21,269,338
Property operating expenses	(7,971,832)	(4,637,867)	(370,040)	(407,275)	(8,341,872)	(5,045,142)
Foreign exchange gain/(loss)	(475,883)	178,175	–	–	(475,883)	178,175
Net financial expense	(10,449,444)	(4,860,607)	(730,054)	(890,401)	(11,179,498)	(5,751,008)
Fair value adjustments on investment property and goodwill	3,224,674	1,871,849	(213,822)	(759,922)	3,010,852	1,111,927
Segment result	**14,986,080**	**12,278,161**	**169,837**	**(514,871)**	**15,155,917**	**11,763,290**
Share-based payment expense					(1,041,647)	(524,650)
Investment Advisor management fee					–	(703,323)
Administrative expenses					(1,916,515)	(1,147,755)
JSE listing and administrative costs					(219)	(12,354)
Acquisition expenses					(106,615)	(831,369)
Finance expense net					6,253,858	(155,801)
Deferred tax expense					500,210	(1,476,694)
NET PROFIT FOR THE PERIOD					**18,771,746**	**6,911,344**

A detailed segment analysis based on gross rentals, rentable area and value is presented in the Director's report.

A summary of assets, liabilities and equity of the entities where participation under joint ventures is held (amounts consolidated under the proportionate method for Germany) is presented below:

Summarised statement of financial position for joint ventures	31 Dec 2011	31 Dec 2010
	€	€
Non-current assets	16,503,459	16,717,282
Current assets	1,165,621	2,135,372
TOTAL ASSETS	**17,669,080**	**18,852,654**
Equity attributable to equity holders	(2,272,990)	(2,386,869)
Non-current liabilities	19,249,614	20,481,347
Current liabilities	692,456	758,176
TOTAL EQUITY AND LIABILITIES	**17,669,080**	**18,852,654**

26 CONTINGENT ASSETS AND LIABILITIES

Guarantees

The Group's policy is to provide financial guarantees to subsidiaries to the extent required in the normal course of business. The Company issued corporate letters of guarantee in relation to some of the credit facilities (see Note 15).

NOTES TO THE FINANCIAL STATEMENTS ›continued

27 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 in Note 4. The Directors are noted in the "Directors of the Company" section.

Material related party transactions

Loans to and investments in subsidiaries are set out in Note 4. Fees paid to Directors during the current and prior year are set out in the table below. No other payments were made to Directors, except for re-imbursements of travel and accommodation costs.

Directors' fees	Total Group 31 Dec 11	Company 31 Dec 11	Subsidiaries 31 Dec 11	Total Group 31 Dec 10	Company 31 Dec 10	Subsidiaries 31 Dec 10
	€	€	€	€	€	€
Dan Pascariu	**27,609**	27,609	–	**24,936**	24,936	–
Martin Slabbert*	**168,000**	149,968	18,032	**66,030**	47,833	18,197
Desmond de Beer	**27,600**	27,600	–	**20,400**	20,400	–
Dewald Joubert	**24,972**	24,972	–	**20,400**	20,400	–
Jeffrey Zidel	**28,725**	28,725	–	**20,400**	20,400	–
Michael Mills	**23,478**	23,478	–	**20,400**	20,400	–
Victor Semionov*	**79,333**	74,646	4,687	**32,667**	27,936	4,731
Kris Carton**	**–**	–	–	**3,400**	3,400	–
Steven Van Den Bossche**	**–**	–	–	**15,300**	15,300	–
TOTAL	**379,717**	**356,998**	**22,719**	**223,933**	**201,005**	**22,928**

* Mr. Slabbert and Mr. Semionov did not receive director's fees prior to the internalisation of the Investment Advisor effective 30 June 2010.

** Mr. Carton and Mr. Van Den Bossche resigned from the Board during 2010.

The following directors (and their associates) exercised their rights and purchased the number of ordinary shares indicated against their names below, in terms of the rights offer which was concluded in December 2011:

Name of director/ Associate	Transaction date	Price per security	Number of securities	Total value	Nature of transaction	Nature and extent of director's interest
Desmond de Beer and associates	5&7 Dec 2011	R30	750,330 rights offer shares	R22,509,900	Off market	Indirect beneficial
Jeffrey Zidel and associates	5 Dec 2011	R30	176,081 rights offer shares	R5,282,430	Off market	Direct/ Indirect beneficial
Martin Slabbert and associates	5 Dec 2011	R30 or €2.80	145,000 rights offer shares	R345,000+ €373,800	Off market	Indirect beneficial
Victor Semionov	5 Dec 2011	€2.80	10,000 rights offer shares	€28,000	Off market	Indirect beneficial

NOTES TO THE FINANCIAL STATEMENTS ›continued

Details on the shares issued under the share purchase schemes and held by the Directors are presented below:

Director	Date of issue	Share issue price	Number of shares issued
		€	€
Martin Slabbert			**3,698,814**
	5 June 2008	2.18	600,000
	28 October 2009	2.10	300,302
	25 May 2010	2.58	195,000
	30 June 2010	2.58	2,266,012
	9 May 2011	2.99	337,500
Victor Semionov			**987,669**
	5 June 2008	2.18	300,000
	25 May 2010	2.58	140,000
	30 June 2010	2.58	377,669
	9 May 2011	2.99	170,000

28 COMPARATIVE PERIOD

The Comparative period is the year ended 31 December 2010.

29 SUBSEQUENT EVENTS

In January 2012, the Group has concluded agreements for the acquisition of all the issued shares in and shareholders' claims against Modatim Investment SA ("MTI") and Modatim Properties SA ("MTP") from MTInv Holding BV and Mr. Ovidiu Sandor. The Group has also concluded an agreement for the forward acquisition of all the issued shares in and shareholders' claims against Modatim Business Facility SA ("MTBF") from the Sellers ("the Forward Transaction"). The acquisition agreement in respect of the Forward Transaction is binding on the date of transfer of the shares in MTI and MTP. However, delivery of the shares in MTBF only occurs on a date six months after the last development building has been completed, expected to be no later than 30 September 2014, subject to fulfilment of specific conditions. MTP and MTI own three adjoining office buildings ("City Business Centre") of some 27,150 square metres located in the centre of Timisoara, Romania, while MTBF owns land on which two further adjoining office blocks of some 20,000 square metres are in the process of being developed, also located in Timisoara.

The aggregate purchase price for the shares in and shareholders' claims against MTI and MTP is an amount of approximately €16,550,000, funded through the proceeds of a vendor consideration placing in terms of which 5,518,057 new ordinary NEPI shares were issued and placed at €3.00 per share. The purchase of MTI and MTP will be accounted in the next financial year as business acquisitions. The value computations for the assets and liabilities taken over are not finalised as of the date of this report.

The Directors are not aware of any other subsequent events from 31 December 2011 and up to the date of signing these financial statements, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than as disclosed in the Directors' report.

SCHEDULE OF PROPERTIES

Property Name	Property Address	Ownership
		%
RETAIL PORTFOLIO		
Promenada Mall Braila	Sat Varsatura, Braila, Romania	100%
Retail Park Auchan Pitesti	65B Geamana, Arges, Romania	100%
Leipzig	123 Mockauerstrasse, Leipzig, Germany	50%
Bruckmühl	15a Pettenkoferstrasse, Bruckmühl, Germany	50%
Mölln	127a+b Wasserkrüger, Mölln, Germany	50%
Bucharest	23 Elisabeta Street, Bucharest, Romania	100%
Brasov	105 Bucuresti Street, Brasov, Romania	100%
Eilenburg	34-35 Grenzstrasse, Eilenburg, Germany	50%
Frankfurt	10-24 Battonnstrasse, Frankfurt, Germany	50%
Iasi	4 Strapungerii Street, Iasi, Romania	100%
Bacau	5 Balescu Street, Bacau, Romania	100%
OFFICE PORTFOLIO		
Floreasca Business Park	169A Floreasca Street, Bucharest, Romania	100%
Munich	7 Silberhornstrasse, Munich, Germany	50%
Brasov	3 Kogalniceanu Street, Brasov, Romania	100%
Zalau	19 Unirii Street, Salaj, Romania	100%
Craiova	15B Buzesti Street, Dolj, Romania	100%
Galati	31 Brailei Street, Galati, Romania	100%
Buzau	2 Balcescu Street, Buzau, Romania	100%
Baia Mare	18 Unirii Street, Maramures, Romania	100%
Slatina	1 Vladimirescu Street, Olt, Romania	100%
Alba Iulia	29 I.C. Bratianu Street, Alba, Romania	100%
Targoviste	227 Domneasca Street, Dambovita, Romania	100%
Sfantu Gheorghe	33-37, 1 Decembrie Street, Covasna, Romania	100%
Targu Mures	2 Bolyai Street, Mures, Romania	100%
Deva	18 Maniu Street, Hunedoara, Romania	100%
Slobozia	13 Chimiei Street, Ialomita, Romania	100%
Calarasi	27 Progresului Street, Calarasi, Romania	100%
Resita	4, 1 Decembrie Street, Caras-Severin, Romania	100%
Sibiu	69, 1 Decembrie Street, Sibiu, Romania	100%
Alexandria	63 Colfescu Street, Teleorman, Romania	100%
INDUSTRIAL PORTFOLIO		
Rasnov industrial facility	1A Campului Street, Brasov, Romania	100%
Otopeni warehouse	11C Vlaicu, Ilfov, Romania	100%
DEVELOPMENTS		
Ploiesti Shopping City	Sat Blejoi, Prahova, Romania	100%
Victoriei Office	8 Aviatorilor Blvd, Bucharest, Romania	100%
TOTAL		

	Rentable Area	Weighted Rentable Area	Weighted Average Rental	Weighted Average Vacancy	Valuation	Weighted Valuation
	sqm	sqm	€/sqm	%	€	€
	53,000	53,000	8.49	3.7%	73,270,000	73,270,000
	43,100	43,100	10.54	5.0%	63,460,000	63,460,000
	5,864	2,932	9.69	0.0%	8,390,000	4,211,193
	5,889	2,945	7.07	0.0%	6,740,000	3,383,008
	5,510	2,755	5.67	0.0%	5,260,000	2,640,152
	838	838	56.65	0.0%	5,420,000	5,420,000
	5,290	5,290	11.69	0.0%	9,570,000	9,570,000
	3,727	1,864	7.88	0.0%	3,500,000	1,756,755
	1,088	544	14.50	0.0%	2,690,000	1,350,192
	193	193	37.58	0.0%	730,000	730,000
	150	150	41.92	0.0%	550,000	550,000
	124,649	**113,610**	**9.82**	**3.6%**	**179,580,000**	**166,341,300**
	36,032	36,032	19.35	0.0%	104,290,000	104,290,000
	2,222	1,111	14.83	0.0%	6,300,000	3,162,159
	6,720	6,720	6.30	50.6%	6,450,000	6,450,000
	3,460	3,460	6.17	28.9%	2,800,000	2,800,000
	2,486	2,486	6.82	0.0%	2,500,000	2,500,000
	2,814	2,814	4.78	4.2%	1,920,000	1,920,000
	2,422	2,422	6.32	0.0%	1,860,000	1,860,000
	2,406	2,406	4.88	7.1%	1,720,000	1,720,000
	2,767	2,767	5.22	12.3%	1,750,000	1,750,000
	2,366	2,366	4.51	20.1%	1,500,000	1,500,000
	2,373	2,373	4.90	25.9%	1,420,000	1,420,000
	2,349	2,349	5.94	3.6%	1,490,000	1,490,000
	2,033	2,033	2.11	38.3%	990,000	990,000
	1,860	1,860	7.25	0.0%	1,470,000	1,470,000
	1,907	1,907	5.53	8.1%	1,220,000	1,220,000
	1,421	1,421	7.49	1.0%	1,070,000	1,070,000
	1,322	1,322	7.35	0.0%	1,050,000	1,050,000
	900	900	1.71	0.0%	690,000	690,000
	975	975	7.33	0.0%	830,000	830,000
	78,835	**77,724**	**12.81**	**9.2%**	**141,320,000**	**138,182,159**
	23,040	23,040	4.33	1.7%	11,760,000	11,760,000
	4,802	4,802	8.84	0.0%	5,300,000	5,300,000
	27,842	**27,842**	**5.13**	**1.4%**	**17,060,000**	**17,060,000**
					7,052,378	7,052,378
					13,167,000	13,167,000
					20,219,378	**20,219,378**
	231,326	**219,176**	**10.22**	**5.3%**	**358,179,378**	**341,802,837**

NOTICE OF 2012 ANNUAL GENERAL MEETING

Notice is hereby given that the fifth annual general meeting of New Europe Property Investments plc ("NEPI" or "the Company") will be held at its registered office being 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 26 April 2012 at 10:00 AM BST, to address the following business:

ORDINARY BUSINESS

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

1. To receive and adopt the reports of the directors and auditors of the Company and the financial statements for the year ended 31 December 2011.
2. To re-elect those directors of the Company who will retire by rotation in accordance with article 86 of the Articles of Association of the Company:
   - 2.1 Desmond de Beer; and
   - 2.2 Michael Mills,

   who will retire at the Company's Annual General Meeting and being eligible, have offered themselves for re-election.
3. To authorise the directors of the Company to fix their remuneration.

SPECIAL BUSINESS

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

4. To re-appoint Ernst & Young LLC as auditors of the Company and to authorise the Company's directors to fix their remuneration.
5. That the NEPI Share Purchase Scheme adopted by shareholders on 3 May 2011 (the "current scheme") be amended to increase the maximum aggregate number of shares which can be offered for subscription or purchase under this scheme ("scheme allocation"):

   from 8,000,000 (eight million) shares less the number of shares issued in terms of the NEPI incentive scheme (i.e. the scheme which was in place since before the Company's listing on the AIM market of the London Stock Exchange) and in respect of which the purchase price remained outstanding as at the date of implementation of the current scheme (being 5,205,397 shares),

   to 10,000,000 (ten million) shares less 5,205,397 shares issued in terms of the NEPI incentive scheme and referred to above.

6. So as to maintain the maximum "headroom" available to the Directors for expanding the Company's business by allotting equity securities of the Company for cash on a non pre-emptive basis, the shareholders are to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

That Article 5.3 of the Company's Articles of Association be deleted and replaced by: "The provisions of Article 5.2 are dis-applied in respect of any allotments of equity securities of the Company so that, subject to the Listings Requirements of the JSE Limited, the AIM Rules for Companies issued by London Stock Exchange plc and the rules of the Bucharest Stock Exchange, the directors are authorised to issue shares for cash, on the basis that:

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

6.2 any shares issued in terms of this authority:

6.2.1 must be of a class already in issue, or must be convertible into a class of shares already in issue;

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

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

6.2.4 for the purposes of 6.2.3, shares of a particular class, will be aggregated with any shares that are compulsorily convertible into shares of that class, and, in the case of the issue of compulsorily convertible shares, aggregated with the shares of that class into which they are compulsorily convertible;

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

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

By order of the Board,

C.E. Cassell
COMPANY SECRETARY

NOTES TO NOTICE OF ANNUAL GENERAL MEETING, DATED 26 APRIL 2012

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

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

3. A form of proxy is included with this notice (on page 97) and instructions for its use are shown on the form.

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

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

6. Pursuant to regulation 22 of the Uncertificated Securities Regulations 2006 (SD 743/06), the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 10:00 AM BST on 26 April 2012 ("the Register Time and Date"), being not more than two working days before the time fixed for the meeting to commence. Changes to entries on the register after the Register Time and Date shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. The Company's register of directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which the directors of the Company are employed, are available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

PROXY FORM

Please insert the full name and address of the member in CAPITAL LETTERS and return this form to the Company's registered address at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man, IM1 4LN for attention of Eddie Cassell, Company secretary, or in electronic format to the e-mail address eddie@sabre-iom.com

I/We .... of ....

being a member/members of New Europe Property Investments plc hereby appoint the Chairman of the meeting, or failing him .... as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 2nd Floor, Anglo International House, Lord Street, Douglas, Isle of Man on 26 April 2012 at 10:00 AM BST and at any adjournment thereof.

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

ORDINARY BUSINESS

	YES	NO
1. To receive and adopt the reports of the directors and auditors of the Company and the financial statements for the year ended 31 December 2011.		
2. To re-elect those directors of the Company who will retire by rotation in accordance with article 86 of the Articles of Association of the Company: 2.1 Desmond de Beer; and 2.2 Michael Mills, who will retire at the Company's Annual General Meeting and being eligible, have offered themselves for re-election.		
3. To authorise the directors of the Company to fix their remuneration.		

SPECIAL BUSINESS

	YES	NO
4. To re-appoint Ernst & Young LLC as auditors of the Group and Company and to authorise the Company's directors to fix their remuneration.		
5. That the NEPI Share Purchase Scheme adopted by shareholders on 3 May 2011 be amended as proposed in the notice of the Annual General Meeting.		
6. That Article 5.3 of the Company's Articles of Association be amended as proposed in the notice of the Annual General Meeting.		

SIGNATURE

DATE

www.nepinvest.com

Company	**New Europe Property Investments plc** Registration number 001211V (JSE share code: NEP, AIM share code: NEPI, BVB share code: NEP) Lord Street, Douglas, Isle of Man, IM1 4LN 2nd Floor, Anglo International House
Company Administrator and Registrar	**Sabre Fiduciary Limited** 2nd Floor, Anglo International House Lord Street, Douglas, Isle of Man, IM1 4LN Phone +44 (0) 2031 801 547 Fax +44 1624 629 282
Auditors and Reporting Accountants	**Ernst & Young LLC** Rose House, 51-59 Circular Road, Douglas IM1 1AZ, Isle of Man
Nominated Advisor and Broker	**Smith & Williamson Corporate Finance Limited** 25 Moorgate London EC2R 6AY, UK
JSE Sponsor	**Java Capital** 2 Arnold Road, Rosebank 2196, South Africa
Romanian Advisor	**Intercapital Invest** 33 Aviatorilor Blvd, Bucharest, Romania

PHOTO: FLOREASCA BUSINESS PARK, BUCHAREST, ROMANIA