



**Condensed Consolidated Interim Financial Statements**

For the period  
from 1 January 2008 to 30 June 2008.

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## Company information

### New Europe Property Investments PLC

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

#### Company Secretary

Andrew Dawson

#### Directors

The Directors of the company are listed below.

Director	Appointment date
Peter Francis Gray - <i>Non-executive Chairman</i>	August 14, 2007
Dewald Lambertus Joubert - <i>Non-executive Director</i>	July 23, 2007
Michael John Mills - <i>Non-executive Director</i>	August 13, 2007
Corneliu Dan Pascariu - <i>Non-executive Director</i>	November 26, 2007
Martin Johannes Christoffel Slabbert* - <i>Non-executive Director</i>	August 14, 2007

\* Mr. Slabbert is an executive director of the Investment Adviser (NEPI Investment Management Limited), which has a long term advisory agreement with the Company.

### Company subsidiaries and joint venture investments

#### **New Europe Property (BVI) Limited**

Midocean Chambers,  
Road Town, Tortola,  
British Virgin Islands

#### **NEPI Bucharest One SRL**

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

#### **New Europe Property N.V.**

Pietermaai 123,  
Curacao,  
Netherlands Antilles

#### **NEPI Bucharest Two SRL**

39 Grigore Mora,  
District 1,  
Bucharest, Romania

#### **NE Property Cooperatief U.A.**

Schiphol Boulevard 231 Toren B, 5de,  
1118BH, Luchthaven Schiphol,  
Amsterdam, Netherlands

#### **General Investment SRL**

Charles de Gaulle nr 13,  
District 1,  
Bucharest, Romania

#### **General Building Management SRL**

Charles de Gaulle nr 13, ap 16,  
District 1,  
Bucharest, Romania

#### **Ciref Nepi Holdings Limited**

Grigoriou Xenopoulou, 17  
P.C. 3106,  
Llmassol, Cyprus

**Ciref Europe Management Limited**

31-33 The Triangle,  
Ranelagh,  
Dublin 6, Ireland

**Premium Portfolio Ltd. & Co. KG**

Rossertstraße 9,  
60323  
Frankfurt am Main, Germany

**Premium Portfolio 2 Ltd. & Co. KG**

Rossertstraße 9,  
60323  
Frankfurt am Main, Germany

**Investment Adviser**

**NEPI Investment Management Limited**

Midocean Chambers  
PO Box 805, Road Town,  
Tortola, British Virgin Islands

**Auditors**

**KPMG Audit LLC**

Heritage Court, 41 Athol Street  
Douglas  
Isle of Man IM99 1HN

**Administrator and Registrar**

**Maitland Services Limited**

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

**Nominated Adviser and Broker**

**Smith & Williamson Corporate Finance Limited**

25 Moorgate  
London EC2R 6AY

## Chairman's report

New Europe Property Investments PLC ("the Company") was incorporated on 23 July 2007 and admitted to the AIM market of the London Stock Exchange on 22 August 2007.

The Company is managed by NEPI Investment Management Limited and invests primarily in the high quality office, retail and industrial property market initially in Romania, although in due course in other Central and Eastern European countries.

The Company's objective is to enable shareholders to invest in a dividend paying, long term closed-ended fund that could serve as a vehicle for institutional investors seeking exposure to Central and Eastern European investment opportunities offering stable absolute returns and portfolio diversification.

The two acquisitions mentioned in the Directors' report for the period ended on 31 December 2007 have been concluded. As a result, the Company now has invested €86.9 million in Romania and Germany, has exposure to 29 properties and more than 160 tenants. The acquisition of the Raiffeissen portfolio has been consolidated for the full period and the German acquisition has been proportionately consolidated beginning with 14 April 2008.

The Company has embarked on a secondary listing of its shares on the Alternative Exchange ("AltX") of the JSE Limited in South Africa. This process should be concluded towards the end of September 2008 and should improve the depth of the shareholder base, facilitate further trade in the Company's shares and aims to provide a further source of capital in the future.

The Group achieved distributable earnings per share of 7.48 Euro cents in respect of the six months period ended 30 June 2008.

It is the Board's intention to declare an interim dividend in line with the distributable earnings per share, soon after the Company's listing in South Africa.

A handwritten signature in black ink, appearing to read 'P. Gray', with a long horizontal line underneath.

Chairman

Peter Gray

## **Independent Review Report to New Europe Property Investments PLC**

### **Introduction**

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly report for the six months ended 30 June 2008 which comprises balance sheet, income statement, statement of changes in equity, cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independent Review Report to New Europe Property Investments PLC (continued)**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Audit LLC

27 August 2008

**KPMG Audit LLC**

*Chartered Accountants*  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

**Balance sheet**

		Group, reviewed 30 Jun 2008	Group, audited 31 Dec 2007
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Investment property</i>	8	81,848,110	21,718,364
Investment property at fair value		78,954,078	21,718,364
Investment property under development		2,894,032	-
Land concession		29,864	-
Tenant installation		4,372	-
Goodwill	9	5,736,305	-
Investment in subsidiaries	3	-	-
Guarantee deposits		49,429	-
Financial assets at fair value through profit or loss	4	128,568	-
<b>Current assets</b>		<b>4,813,788</b>	<b>33,793,900</b>
Interest receivable	7	11,811	-
Trade and other receivables	10	1,609,736	142,793
Cash and cash equivalents		3,192,241	33,651,107
<b>Total assets</b>		<b>92,610,436</b>	<b>55,512,264</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity attributable to equity holders</b>			
Share capital	6	267,950	267,950
Share premium	6	52,487,190	52,487,190
Share based payment reserve	7	6,712	-
Currency translation reserve		(34,132)	22,633
Accumulated profit		1,954,490	275,746
<b>Non-current liabilities</b>		<b>32,426,370</b>	<b>56,767</b>
Loans and borrowings	5	30,125,890	-
Deferred tax liabilities	12	2,300,480	56,767
<b>Current liabilities</b>		<b>5,501,856</b>	<b>2,401,978</b>
Trade and other payables	11	2,381,373	2,393,845
Loans and borrowings	5	1,186,838	-
Tenant deposits		1,933,645	17,755
Income tax payable		-	1,230
Value-added tax due		-	(10,852)
<b>Total equity and liabilities</b>		<b>92,610,436</b>	<b>55,512,264</b>

These financial statements were approved by the Board of Directors on 25 August 2008 and were signed on their behalf by:

JAN PASCARIU

M. Stabbert

## Income Statement

		<b>Group, reviewed</b>	<b>Group, audited</b>
		<b>30 Jun 2008</b>	<b>31 Dec 2007</b>
		€	€
<b>Net rental and related income</b>		<b>2,844,649</b>	<b>322,017</b>
Contractual rental income and expense recoveries		3,475,127	343,790
Property operating expenses		(630,478)	(21,773)
Share based payments	7	(6,712)	-
Investment advisory fees		(300,618)	(101,528)
Administrative expenses		(215,459)	(142,107)
<b>Profit before net finance expense</b>		<b>2,321,860</b>	<b>78,382</b>
Finance income	14	245,908	329,854
Finance expense	14	(556,606)	(74,492)
<b>Net finance (expense)/income</b>		<b>(310,698)</b>	<b>255,362</b>
<b>Earnings before tax</b>		<b>2,011,162</b>	<b>333,744</b>
Tax expense	12	-	(57,998)
<b>Earnings after tax</b>		<b>2,011,162</b>	<b>275,746</b>
Basic weighted average earnings per share (cents)	13	7.51	1.88
Diluted weighted average earnings per share (cents)	13	7.46	1.88
Distributable earnings per share (cents)	13	7.48	1.24

These financial statements were approved by the Board of Directors on 25 August 2008 and were signed on their behalf by:

JAN PASCARIU

M. Stabbert

## Statement of Changes in Equity

	Share capital	Share premium	Share based payments reserve	Currency translation reserves	Retained earnings	Total
	€	€	€	€	€	€
<b>Opening balance 1 January 2007</b>	-	-	-	-	-	-
Issue of shares	<b>267,950</b>	<b>53,322,050</b>	-	-	-	<b>53,590,000</b>
- 12 877 200 shares on 23/08/2007	128,772	25,625,628	-	-	-	<b>25,754,400</b>
- 13 917 800 shares on 14/12/2007	139,178	27,696,422	-	-	-	<b>27,835,600</b>
Foreign exchange gain	-	-	-	22,633	-	<b>22,633</b>
Total recognised income and expense	-	<b>(834,860)</b>	-	-	<b>275,746</b>	<b>(559,114)</b>
- issue costs recognised directly to Equity	-	<b>(834,860)</b>	-	-	-	<b>(834,860)</b>
- profit for the period	-	-	-	-	275,746	<b>275,746</b>
<b>Closing balance 31 December 2007</b>	<b>267,950</b>	<b>52,487,190</b>	-	<b>22,633</b>	<b>275,746</b>	<b>53,053,519</b>
<b>Opening balance 1 January 2008</b>	<b>267,950</b>	<b>52,487,190</b>	-	<b>22,633</b>	<b>275,746</b>	<b>53,053,519</b>
Share based payment	-	-	6,712	-	-	<b>6,712</b>
Foreign exchange loss	-	-	-	(56,765)	-	<b>(56,765)</b>
Total recognised income and expense	-	-	-	-	<b>1,678,744</b>	<b>1,678,744</b>
- dividend distribution	-	-	-	-	(332,418)	<b>(332,418)</b>
- profit for the period	-	-	-	-	2,011,162	<b>2,011,162</b>
<b>Closing balance 30 June 2008</b>	<b>267,950</b>	<b>52,487,190</b>	<b>6,712</b>	<b>(34,132)</b>	<b>1,954,490</b>	<b>54,682,210</b>

These financial statements were approved by the Board of Directors on 25 August 2008 and were signed on their behalf by:

JAN PASCARIU

M. Stabbert

**Cash Flow Statement**

	<b>Group, reviewed 30 Jun 2008</b>	<b>Group, audited 31 Dec 2007</b>
	€	€
<b>OPERATING ACTIVITIES</b>		
Earnings before tax	2,011,162	333,744
<b>Adjustments for:</b>		
Fair value of derivative instruments	(128,568)	-
Share based payments	6,712	-
Net finance expense	310,698	(255,362)
Corporate tax charge	-	(1,231)
<b>Operating profit before changes in working capital</b>	<b>2,200,004</b>	<b>77,151</b>
(Increase) in trade and other receivables	(1,139,591)	(142,793)
Increase / (Decrease) in trade and other payables	(172,427)	2,401,978
Interest paid	(446,048)	(74,492)
Interest received	234,097	329,854
<b>Cash flows from operating activities</b>	<b>(676,035)</b>	<b>2,591,698</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investment property	(19,813,740)	(21,718,364)
Payments for acquisition of subsidiaries less cash acquired	(27,209,412)	-
<b>Cash flows from investing activities</b>	<b>(47,023,152)</b>	<b>(21,718,364)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance	-	52,755,140
Proceeds from bank borrowings	16,659,802	-
Repayment of borrowings	(382,368)	-
Payment of dividends	(332,418)	-
<b>Cash flows from financing activities</b>	<b>15,945,016</b>	<b>52,755,140</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(30,402,101)</b>	<b>33,628,474</b>
Cash and cash equivalents brought forward	33,651,107	-
Effect of exchange rates on cash and cash equivalents	(56,765)	22,633
<b>Cash and cash equivalents carried forward</b>	<b>3,192,241</b>	<b>33,651,107</b>

These financial statements were approved by the Board of Directors on 25 August 2008 and were signed on their behalf by:

JAN PASCARIU

M. Stabbert

## Notes to the condensed consolidated interim financial statements

### 1 General

New Europe Property Investments PLC is a company incorporated in the Isle of Man on 23 July 2007. The Group includes the Company and its wholly owned subsidiaries as set out under "Basis of consolidation" in note 2.1 below.

The consolidated financial statements for the period from 23 July 2007 (date of incorporation) to 31 December 2007 are available upon request from the Company's registered office at Falcon Cliff, Palace Road, Douglas, Isle of Man IM2 4LB, or at [www.nepi.uk.com](http://www.nepi.uk.com).

### 2 Accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with applicable Isle of Man law and International Financial Reporting Standards (IFRS) IAS 34 *Interim Financial Reporting*. The statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the period from 23 July 2007 (date of incorporation) to 31 December 2007. Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements of the Group for the period from 23 July 2007 (date of incorporation) to 31 December 2007.

#### 2.1 Basis of consolidation – jointly controlled operations

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

#### 2.2 Segmental reporting

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

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

#### 2.3 Share based payment

The fair value of share options granted to key individuals is recognised as an expense, with a corresponding increase in equity, over the period that the participants become unconditionally

entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

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

## **2.4 Goodwill**

Goodwill arises on acquisition of subsidiaries and joint ventures.

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

### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses.

## **2.5 Financial instruments**

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Derivatives are designated at fair value through profit or loss upon initial recognition and are recognised initially at fair value; attributable transaction costs are charged to the income statement when incurred. Subsequent to initial recognition, changes in fair value are accounted for through the income statement.

### 3 Investment in subsidiaries and joint ventures

The Company has an investment of €0.01 in New Europe Property (BVI) Limited, representing one share. The Company also has indirect holdings in the other companies listed in the table below.

Subsidiaries (country of Incorporation)	Incorporation/ Date became subsidiary or joint venture	Principal activity	Effective interest %	Effective Investment €	Amount owing by subsidiary €
			30 Jun 2008	30 Jun 2008	30 Jun 2008
New Europe Property (BVI) Limited (British Virgin Islands)	Jul 2007	holding company	100%	*	19,232,261
New Europe Property NV (Netherlands Antilles)	Sep 2007	holding company	100%	2,000	-
NE Property Cooperatief U.A. (Netherlands)	Oct 2007	holding company	100%	10,000	-
NEPI Bucharest One SRL (Romania)	Sep 2007	investment vehicle	100%	3,844,554	-
NEPI Bucharest Two SRL (Romania)	Dec 2007	investment vehicle	100%	2,755,554	-
General Investment S.R.L (Romania)	Mar 2003 / Jan 2008	investment vehicle	100%	25,827,237	-
General Building Management S.R.L. (Romania)	Aug 2004 / Jan 2008	investment vehicle	100%	1,402,330	-
CIREF NEPI Holdings Limited (Cyprus)	Apr 2008 / Apr 2008	holding company	50%	*	-
CIREF Europe Management Limited (Ireland)	Dec 2007 / Apr 2008	holding company	50%	*	-
Premium Portfolio Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	investment vehicle	50%	*	-
Premium Portfolio 2 Ltd & Co KG (Germany)	Jan 2008 / Apr 2008	investment vehicle	50%	*	-

\*less than €1

The amounts owing by subsidiaries are unsecured and bear interest at rates agreed from time to time. Terms of repayment range between 11 months and 12 years.

### 4 Financial risk management

During the six months ended 30 June 2008 the Group implemented the following changes to its policies in respect of liquidity risk and interest rate risk.

The Group has capped its interest rate risk by purchasing a derivative financial instrument to cover a notional amount of €7.6 million related to a floating interest rate loan facility concluded with Alpha Bank. As of 30 June 2008 the fair value of the derivative financial instrument amounted to €128,568.

## 5 Loans and borrowings

During the period, the Group contracted bank loan facility agreements with Nord LB Bank and Alpha Bank for an aggregate amount of €21,595,000. Of that amount, €5,041,133 is available for draw-down as at 30 June 2008. A loan from Eurohypo AG Bank for an amount of €15,000,000 has been taken over as a result of the acquisition of General Investment S.R.L. and General Building Management S.R.L.

The facility agreements concluded with Nord LB Bank and Alpha Bank bear interest at a fixed rate of 5.17% p.a. and a floating rate of Euribor1M + 1.9% p.a. respectively.

The loan from Eurohypo AG Bank bears interest at a fixed rate of 6.22% p.a.

In addition to the bank loans, the Group also obtained financing from the vendors of the German portfolio amounting to €846,836 for a period of five years. Of this amount €250,000 bears interest at a fixed interest rate of 6% p.a. while the balance does not attract interest.

The repayment profile of the group's outstanding loans is as follows:

Loans and borrowings	Due within one	Due within two	Due after five
	year	to five years	years
	€	€	€
Alpha Bank revolving credit facility	-	2,558,863	-
Nord LB bank loan	-	13,942,904	-
Eurohypo AG	857,593	2,919,887	9,857,400
Vendor finance	-	846,836	-
Accrued interest on Nord LB loan	107,903	-	-
Accrued interest on Eurohypo AG loan	217,814	-	-
Accrued interest on vendor finance	3,528	-	-
<b>TOTAL</b>	<b>1,186,838</b>	<b>20,268,490</b>	<b>9,857,400</b>

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

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

The Alpha Bank loan has been secured as follows:

- Mortgage over the land and building located in Rasnov;

- Pledge agreement over the bank accounts of NEPI Bucharest Two S.R.L opened with Alpha Bank;
- Real movable security over the shares of NEPI Bucharest Two S.R.L;
- Corporate guarantee issued by the Company.

## 6 Share capital and share premium

	Share capital €0.01/share	Share premium €
<i>Authorised</i>		
150,000,000 ordinary shares of €0.01 each	<u>1,500,000</u>	<u>-</u>
<i>Issued</i>		
26,795,000 ordinary shares at € 0.01 each*	267,950	53,322,050
Listing cost		( 834 860)
<b>Carried forward as at 30 June 2008</b>	<u><b>267,950</b></u>	<u><b>52,487,190</b></u>

\* The issued share capital figure presented excludes shares issued in terms of the share based payment scheme set out in note 7.

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.

## 7 Share based payments

On 6 June 2008 the Group implemented a share purchase plan that entitles key individuals to acquire shares in the Company.

The purpose of the scheme is to align the interests of directors and key individuals of the Investment Adviser with those of shareholders of the Company. This is achieved by the Company making loans available to allow shares to be purchased by participants in the scheme, the repayment of which can be made in part out of the dividends payable on the shares.

20 percent of the shares initially subscribed for by each participant vest annually.

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

The Company's recourse against each participant is limited to the shares issued in terms of the scheme. The Company has security interests over the shares held in the scheme by each

participant. The security interests secure the repayment of all principal and interest in respect of each loan made by the Company to each participant under the scheme.

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

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

1,355,000 shares were issued as part of the share based payments scheme, at a price of €2.18 each.

The Group accrued interest of €11,811 in respect of the loans granted to participants using the Group's weighted average cost of debt capital. The accrued interest will be settled from dividend distributions.

#### Assumptions used in relation to the shares issued pursuant to the scheme

6 Jun 08

Fair value at grant date (per share)	€0.1954
Share price at grant date	€2.25
Weighted average exercise price	€2.18
Expected volatility (weighted average)	10%
Option life	5 years
Risk free interest rate (based on government bond)	4.619%

The amount of €6,712 represents the pro-rata amount of the fair value of the options at grant date, in relation to the 24 days of the reporting period during which the share scheme shares were in issue.

## 8 Investment property

	Group, reviewed 30 Jun 2008 €	Group, audited 31 Dec 2007 €
Movement in investment property is as follows:		
Carrying value at beginning of period	21,718,366	-
Additions	57,235,712	21,718,364
Additions to assets under development	2,894,032	-
<b>Carrying value at period end</b>	<b>81,848,110</b>	<b>21,718,364</b>

Investment property is carried at fair value which is assessed on an annual basis. The majority of the properties (those held in General Investment S.R.L., General Building Management S.R.L. and the two German entities) were purchased close to the period end and the cost of these is deemed to be the fair value, with no requirement for an independent valuation so soon after purchase. The Group obtained independent valuations for purposes of the proposed JSE listing which indicated the value of investment properties to be approximately €90.6 million, compared to current book value of the

properties of €87.5 million (including goodwill). However no fair value adjustment was made in accordance with the Group accounting policies to assess fair values on an annual basis. The current book value of assets under development includes two buildings under refurbishment in Constanta and Brasov, part of the portfolio held by General Investment S.R.L.

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

A register of investment property is available for inspection at the registered office of the Company.

## 9 Goodwill

The Group acquired two subsidiaries (General Investment S.R.L. and General Building Management S.R.L.) with effect from 1 January 2008. The total consideration paid in cash amounted to €28,243,565.

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

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

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

	Pre-acquisition carrying amounts €	Fair value adjustments €	Recognized values on acquisition €
Investment property	22,231,986	13,582,355	35,814,341
Investment property under development	2,904,153	(197,848)	2,706,305
Intangible assets	29,864	-	29,864
Tenant installations	4,372	-	4,372
Trade and other receivables	317,731	-	317,731
Cash and cash equivalents	1,034,152	-	1,034,152
Provisions for risk and charges	(429,926)	429,926	-
Property revaluation reserve	(6,342,516)	6,342,516	-
Interest bearing borrowings	(14,080,055)	-	(14,080,055)
Deferred tax liabilities	-	(2,243,713)	(2,243,713)
Tenant deposits	(219,805)	-	(219,805)
Accounts payable	(855,932)	-	(855,932)
Net identifiable assets and liabilities	4,594,024	17,913,236	22,507,260
Goodwill on acquisition			5,736,305
Consideration paid satisfied in cash			28,243,565
Cash acquired			(1,034,153)
<b>Net cash outflow</b>			<b>27,209,412</b>

**10 Trade and other receivables**

	<b>Group, reviewed</b> <b>30 Jun 2008</b> €	<b>Group, audited</b> <b>31 Dec 2007</b> €
Tenant receivables	677,820	142,793
Deferred borrowing costs	156,231	-
Advance payments	55,931	-
Prepaid property expenses	115,484	-
Deferred JSE listing costs	23,648	-
Tax recoveries	553,641	-
Other receivables	26,981	-
<b>Carrying value at period end</b>	<b>1,609,736</b>	<b>142,793</b>

**11 Trade and other payables**

	<b>Group, reviewed</b> <b>30 Jun 2008</b> €	<b>Group, audited</b> <b>31 Dec 2007</b> €
Payable for investment property acquisition	986,269	2,139,139
Property related payables	189,546	147,492
Advances from tenants	944,580	73,410
Administrative and secretarial accrued expenses	14 695	-
Accrued management fee	150 392	33,804
Taxes and other related liabilities	8 427	-
Payments received in advance other than rent	63 630	-
Other payables	23 834	-
	<b>2,381,373</b>	<b>2,393,845</b>

The Group has a contingent liability of €1,567,742 in relation to the acquisition of the Rasnov property. The amount represents a portion of the initially agreed purchase price which will become payable once the vendor has completed refurbishment works as agreed in the sale and purchase agreement. The amount of the contingent liability may be higher, depending on the tenant profile of the vacant space as at December 2008.

## 12 Corporate tax expense and deferred tax

	<b>Group, reviewed</b>	<b>Group, audited</b>
	<b>30 Jun 2008</b>	<b>31 Dec 2007</b>
	€	€
- current tax current year	-	1,231
- deferred tax	-	56,767
<b>Tax expense</b>	<b>-</b>	<b>57,998</b>
- deferred tax acquired in business combinations	2,243,713	-
-deferred tax brought forward	56,767	-
<b>Deferred tax carried forward</b>	<b>2,300,480</b>	<b>56,767</b>

Group subsidiaries are subject to corporate tax on an annual basis.

The Romanian subsidiaries carried forward aggregate prior year fiscal losses amounting to €695,000.

The German subsidiaries have not accrued any taxable profits since the commencement of business on 15 April 2008.

### Reconciliation of tax rate

	<b>Group, reviewed</b>	<b>Group, audited</b>
	<b>30 Jun 2008</b>	<b>31 Dec 2007</b>
	€	€
Profit before tax	2,011,163	333,744
Isle of Man income tax at 0%	-	-
Effect of higher rates on overseas earnings	-	1,231
Total charge per income statement	-	1,231
<b>Effective tax rate</b>	<b>0.0%</b>	<b>0.4%</b>

## 13 Earnings per share

The calculation of basic earnings per share as at 30 June 2008 was based on the profit attributable to ordinary equity holders of €2,011,162 (2007: €275,746) and the weighted average number of 26,795,000 (2007: 14,686,514) ordinary shares in issue during the period (excluding the share scheme shares).

The calculation of diluted earnings per share as at 30 June 2008 was based on the profit attributable to ordinary equity holders of €2,011,162 (2007: €275,746) and the weighted average number of

26,974,669 (2007: 14,686,514) ordinary shares in issue during the period (including the share scheme shares).

The calculation of distributable earnings per share was based on earnings after tax adjusted as shown in the table below to arrive at the distributable earnings of €2,104,386 (2007: €332,513) and the number of shares in issue at 30 June 2008:

	<b>Group, reviewed 30 June 2008</b>	<b>Group, audited 31 Dec 2007</b>
	€	€
<b>Distributable earnings</b>	<b>2,104,386</b>	<b>332,513</b>
Earnings after tax	2,011,162	275,746
Share based payment fair value	6,712	-
Net change in fair value of financial assets	432	-
Amortisation of the premium paid for derivative instrument	(1,648)	-
Share issue cum distribution	87,728	-
Deferred tax expense	-	56,767
Number of shares in issue at end of period	28,150,000	26,795,000
<b>Distributable earnings per share (€cents)</b>	<b>7.48</b>	<b>1.24</b>

<b>Date</b>	<b>Event</b>	<b>Number of shares</b>	<b>% of period</b>	<b>Weighted Average</b>
01/01/2008	existing shares	26,795,000	87%	23,242,072
06/06/2008	share issue*	28,150,000	13%	3,732,597
30/06/2008	period end			26,974,669

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

#### 14 Finance expense

	<b>Group, reviewed 30 Jun 2008</b>	<b>Group, audited 31 Dec 2007</b>
	€	€
Interest income on bank deposits	234,097	329,854
Accrued interest on loan for share purchase scheme	11,811	-
Finance income	<u>245,908</u>	<u>329,854</u>
Interest expense on financial liabilities measured at amortised cost	(556,174)	(74,492)
Net change in fair value of financial assets	(432)	-
Finance expense	<u>(556,606)</u>	<u>(74,492)</u>
<b>Net finance (expense)/income recognised in income statement</b>	<b><u>(310,698)</u></b>	<b><u>255,362</u></b>

## 15 Segment reporting

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

On a primary basis, the Group operates in the following geographical areas of Europe:

- Romania
- Germany

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

The above geographic areas represent separate geographic segments.

From 15 April 2008, the Group commenced operations in a second geographic segment as a result of its joint acquisition of 6 properties in Germany. The Group's segmental revenue and results for the period are presented below.

	<b>Romania (January – June)</b>	<b>Germany (April – June)</b>
Revenue	€ 3,266,879	€208,249
Result before overhead costs	€ 2,648,740	€195,909
Overhead costs	€ (522,789)	
Financing cost	€ (310,698)	
Net profit for the period	€ 2,011,162	

## 16 Accounting estimates and judgements

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

## 17 Related party transactions

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

The subsidiaries and Directors are related parties. The subsidiaries of the Company are presented on page 14. The Directors are set out on page 3.

*Material related party transactions*

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

Fees paid to directors during the period are set out in the table below.

Director	Payment for the Period €
Peter Francis Gray - <i>Non-executive Chairman</i>	14,174
Michael John Mills - <i>Non-executive Director</i>	11,597
Dewald Lambertus Joubert - <i>Non-executive Director</i>	13,429*
Martin Johannes Christoffel Slabbert** - <i>Non-executive Director</i>	-
Corneliu Dan Pascariu - <i>Non-executive Director</i>	11,597
	<b>50,797</b>

\* includes VAT of €1,829

\*\*Mr. Slabbert does not receive a salary or directors' fee from NEPI. Mr Slabbert has an indirect interest in 25% of the shares in the Investment Adviser and is further indirectly interested in up to €150,000 of annual preferred distributions made by the Investment Adviser.

Fees paid to the Investment Adviser amounted to € 300,618 for the period ended 30 June 2008.

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