RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For year ended 31 December 2011

Page	**Contents**

DIRECTORS AND COMPANY INFORMATION

Domicile and country of incorporation of parent company
Cayman Islands

Legal form
Limited Liability Company

Directors
Howard I. Golden
Ion Alexander Florescu
Franklin Pitcher Johnson Jr. (resigned 31 March 2012)
Markus Winkler
Dirk Van den Broeck

Secretary and registered office
Appleby Trust (Cayman) Ltd
Clifton House
75 Fort Street
PO Box 190 GT
George Town
Grand Cayman
Cayman Islands

Investment Manager
New Europe Capital Ltd
33 Marloes Road
London,W8 6LG

Investment Advisers
New Europe Capital SRL
21 Tudor Arghezi Str., Floor 6, Sector 2
Bucharest 020 946

New Europe Capital DOO
Francuska 12
11000 Beograd

Nominated Adviser
Grant Thornton Corporate Finance
30 Finsbury Square
London, EC2P 2YU

Broker
LCF Edmond de Rothschild Securities
Orion House
5 Upper St.Martin's Lane,
London,WC2H 9EA

DIRECTORS AND COMPANY INFORMATION *(Continued)*

Administrator and Custodian
Sanne Trust Company Limited
13 Castle Street
St Helier
Jersey
JE4 5UT

Company number
HL-156549

Independent Auditors
PricewaterhouseCoopers Ltd
Aias Building
1st Floor, 19 Diagoras Street
CY-1097
Nicosia, Cyprus

INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT

During the year, Reconstruction Capital II Limited ("RC2" or the "Company") did not make any new investments under its Private Equity Programme, but increased its shareholding in East Point Holdings Limited ("EPH") from 42% to 63% following the asset split agreed with EPH's founding shareholders. In addition, RC2 exited a number of positions held under its Trading Programme, thereby generating EUR 1m in cash.

As at 31 December 2011, RC2 had an audited net asset value ("NAV") per share of EUR 0.8108, representing a decrease of 16.25% over the year, mainly as a result of lower valuations of RC2's private equity investments pursuant to the annual independent third parties valuations exercise.

RC2's audited NAV per share compares to an unaudited published NAV per share of EUR 1.0605 at the end of 2011. The difference of EUR 0.2497 per share is mainly a combined result of a lower fair value for the investments in East Point Holdings Ltd and Policolor SA pursuant to the yearly valuations exercise which took place after the computation of the unaudited published year-end NAV (EUR 0.0749 per share), and the effects of the consolidation of Mamaia Resort Hotels SRL and Top Factoring SRL in the audited accounts since both these investments are booked at fair value when computing RC2's unaudited published NAV (EUR 0.1233 per share).

Private Equity Programme

RC2 has increased its shareholding in EPH from 42.0% to 63.0%, pursuant to an asset swap agreed with the founding shareholders of the business, whereby the latter were to exit the business completely in exchange for certain non-core assets. The final part of the transaction was legally completed in 2012 but accounted for in 2011.

Trading Programme

During the year, RC2 exited a number of its equity positions held under the Trading Programme, thereby generating EUR 1m of cash proceeds. At year-end, its listed equities held under the Trading Programme had a total market value of EUR 2.0 million. 99.3% of this was held in Romanian equities, while the balance of 0.7% was held in Serbian equities.

Outlook

Romania, Serbia and Bulgaria, the three countries where RC2 has investments, returned to modest economic growth in 2011. This is expected to continue in 2012 in spite of the uncertainty surrounding the euro-zone area. Exports have been an important driver of the recovery throughout 2011, leading to stable trade and current account deficits in the three countries. The countries enjoy relatively low overall public debt compared to the eurozone average.

In 2012, the Investment Advisers and Manager aim to start the process of exiting some of RC2's private equity investments and are continuing the process of preparing others for an eventual sale, whilst continuing to work on the improvement of the underlying investee companies' operations.

New Europe Capital Ltd
New Europe Capital S.R.L.
New Europe Capital DOO

INVESTMENT POLICY

Private Equity Programme

Under the Private Equity Programme, the Company takes significant or controlling stakes in companies operating primarily in Romania, Serbia, Bulgaria and neighbouring countries (the "Target Region"). The Company invests in investee companies where it believes its Investment Advisers can add value by implementing operational and/or financial restructuring over a 3 to 5 year horizon. The Company only makes an investment under the Private Equity Programme if its Investment Advisers believe there is a clear exit strategy available, such as trade sale, break up and subsequent disposal of different divisions or assets, or a flotation on a stock exchange.

Trading Programme

Under the Trading Programme, the Company aims to generate short and medium term returns by investing such portion of its assets as determined by the Directors from time to time in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued by entities in the Target Region. The Investment Manager is responsible for identifying and executing investments and divestments under the Trading Programme. The Trading Programme differs from the Private Equity Programme in the key respect that the Company will typically not take significant or controlling stakes in investee companies and will typically hold investments for shorter periods of time than investments made under the Private Equity Programme.

Value Creation

Under its Private Equity Programme, the Investment Advisers are involved at board level in the investee company to seek to implement operational and financial changes to enhance returns. As part of the Company's pre-acquisition due diligence, the Investment Advisers seek to identify specific actions that they believe will create value in the target investee company post acquisition and, where appropriate, seek to work with third party professionals to develop, in combination with the proposed management team of the target, a value creation plan with clear and identifiable short and medium term targets. These plans are likely to address different parts of the business and are tailored to reflect the specific challenges of the relevant target company. Both the Investment Advisers and the Investment Manager believe that the investment strategies under the Private Equity and Trading Programme can achieve returns which are different than the returns of the relevant market indices.

INVESTMENT POLICY *(Continued)*

Investing Restrictions and Cross-Holdings

The Directors, the Investment Advisers and the Investment Manager will take steps to ensure that the portfolio of investments is sufficiently diversified to spread the risks of those investments. The Investment Strategy does not restrict the Company from investing in other closed-ended funds operating in the Target Region. In line with the Company's investment policy, the Board will not normally authorise any investment in a single investee company that is greater than 20 per cent of the Company's net asset value at the time of effecting the investment and in no circumstances will it approve an investment in a single investee company that is greater than 25 per cent of the Company's net asset value at the time of effecting the investment.

Gearing

The Company may borrow up to a maximum level of 30 per cent of its gross assets (as defined in its articles).

Distribution Policy

The Company's investment objective is focused principally on the provision of capital growth. For further details of the Company's distribution policy, please refer to the Admission Document on the Company's website.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2011.

Activities and business review

The Company and Group's principal activity is the holding and managing of investments in Romania and other countries in South-East Europe. A summary of the Group's business review for the year ended 31 December 2011 is contained within the Investment Manager and Investment Advisors' report.

Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed for use in the European Union.

Share Capital and Reserves

Details of the Group's authorised and issued share capital as at 31 December 2011 are contained in Note 26 of the consolidated financial statements.

Results and dividends

The year closed with an investment loss of EUR 9,983,540 (2010: loss of EUR 4,664,472) and a loss for the year from continuing operations of EUR 13,756,952 (2010: loss of EUR 10,496,696).

The Directors do not recommend the payment of a dividend.

The Directors of New Europe Capital Limited, the Investment Manager of the Company, which is also a subsidiary of Reconstruction Capital II Ltd, approved an interim dividend in respect of the year ended 31 December 2011 of EUR 113,510 (2010: EUR 78,124 and paid in 2011), of which EUR 104,997 was payable to the non-controlling interest (2010: EUR 75,388). A final dividend for 2011 of EUR 81,081 was declared (of which EUR 75,000 was payable to non-controlling interests), and was paid on 1 May 2012.

Post-Statement of Financial Position events

Other than the matter disclosed in note 28, there have been no significant events after the reporting period that require disclosure in the accounts.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011
(Continued)

Directors and their interests
The Directors of the Company during the year and their interests in the ordinary shares of the Company were as follows:

	31-Dec-11 Number	**% of issued share capital**
Markus Winkler	500,000	0.50%
Ion Florescu	4,216,562	4.22%
Franklin P Johnson Jr. (resigned 31 March 2012)	710,000	0.71%
Dirk Van den Broeck	2,036,831	2.04%
Howard I. Golden	1,059,732	1.06%

Board
During the year, the Board of Directors comprised five Directors, all of whom are Independent Non–Executive Directors, except for Ion Florescu who sits on the Board of the Investment Manager and of New Europe Capital SRL. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company and Group.

Since all day to day management responsibilities are subcontracted to the Investment Manager and Administrator, the Company does not have a Chief Executive Officer as the roles are already effectively separated.

The Investment Manager and the Investment Advisors ensure that the Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least three times each year and additional meetings are arranged as necessary.

Due to the size of the Board, and the fact that four out of five Directors are independent of the Investment Manager and Advisors and all five Directors are independent of the Administrator, the Board has not set up separate audit and remuneration committees on the grounds that the Board as a whole considers these matters.

During the year and as of the date of these financial statements, Directors' Liability Insurance was in place for the Board.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011
(Continued)

Audit Responsibilities
All audit committee responsibilities are performed by the Board, with specified terms of reference.

The principal terms of reference are to appoint auditors, to set their fees, to review the scope and results of the audit, to consider the independence of the auditors, to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Board reviews the quality of the services of all the service providers to the Company and reviews the Company's compliance with financial reporting and regulatory requirements.

The Company's internal financial controls and risk management systems have been reviewed with the Investment Manager and Advisors. The audit programme and timetable are drawn-up and agreed with the Company's Auditors in advance of the financial year end. At this stage, matters for audit focus are discussed and agreed. The audit report is considered by the Board and discussed with the Auditors prior to approving and signing the Financial Statements.

Remuneration Responsibilities
The Board has resolved that a remuneration committee is not appropriate for the Company as the Company contracts the investment management, investment advisory and administration activities with third parties and has no employees.

The contracting parties themselves are responsible for paying their employees. The Board policy is that the Directors' remuneration should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. The Directors are not eligible for bonuses, pension benefits, share options or other benefits. Details of the payments to Directors are given in Note 7 of the Financial Statements.

Each of the Directors has entered into a service agreement with the Company and either party can terminate the Agreement by giving to the other at least three months' notice.

Directors' liability insurance
The Group has in place a Directors' insurance policy to cover the relevant individuals against claims arising from their work on behalf of the Company. The Board intends to keep the level of cover provided under annual or more frequent review, as appropriate.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011
(Continued)

Relationship with shareholders
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the Interim and Annual Report and Accounts which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by a monthly calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange, and monthly and quarterly reports issued by the Investment Manager and the Investment Advisors which are distributed by e-mail with copies also available from the Investment Manager's office upon request and on the Company's website where the shareholders are able to access all the news and published information about the Company.

Going concern
The Directors have reasonable expectations and are satisfied that the Group has adequate resources to continue its operations and meet its commitments for the foreseeable future and they continue to adopt the going concern basis of preparation of the consolidated financial statements.

Directors' responsibilities
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the annual reports and financial statements.

The consolidated financial statements have been prepared in accordance with IFRS, as endorsed in the European Union, and the rules of the London Stock Exchange for companies trading securities on the AIM.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of the financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2011
(Continued)

A fair representation also requires the Directors to:

- Consistently select and apply appropriate accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibilities also extend to the ongoing integrity of the financial statements**.**

Independent Auditors

The independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office and the Directors intend to propose a resolution at their next meeting to reappoint them.

On behalf of the Board

Ion Florescu
Director

Date: 26 June 2012

Independent Auditor's Report
To the Shareholders of Reconstruction Capital II Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Reconstruction Capital II Limited (the "Company") and its subsidiaries (together with the Company, the ''Group''), which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Reconstruction Capital II Limited as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors
Nicosia, ………

PricewaterhouseCoopers Ltd, Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F:+357 - 22 555 001, www.pwc.com/cy

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	31-Dec-11 EUR	31-Dec-10 EUR
Continuing Operations			
Revenue	5	5,735,892	4,631,539
Total Revenue		**5,735,892**	**4,631,539**
Investment (loss)			
(Loss) on investments at fair value through profit or loss	6	(10,373,504)	(5,189,945)
Interest income		34,290	18,237
Dividend income		35,354	4,082
Other income		320,320	503,154
Total investment (loss)		**(9,983,540)**	**(4,664,472)**
Expenses			
Operating expense	7	9,617,491	10,955,345
Total operating expenses		**9,617,491**	**10,955,345**
Operating (loss)		**(13,865,139)**	**(10,988,278)**
Interest expense		(217,892)	-
(Loss) before taxation		**(14,083,031)**	**(10,988,278)**
Income tax release	8	326,079	491,582
(Loss) for the year from continuing operations		**(13,756,952)**	**(10,496,696)**
Discontinued operations			
(Loss) / gain for the year on operations acquired with a view to sell	10	(2,364,295)	17,144,366
Net (loss) / profit for the year		**(16,121,247)**	**6,647,670**
Other comprehensive income			
Exchange differences on translating foreign operations		53,420	87,787
Total comprehensive (loss) / income for the year		**(16,067,827)**	**6,735,457**
Net (loss) / profit for the year attributable to:			
- Equity holders of the parent		(15,734,573)	6,731,609
- Non-controlling interest		(386,674)	(83,939)
		(16,121,247)	**6,647,670**
Total comprehensive (loss) / income attributable to:			
- Equity holders of the parent		(15,737,942)	6,819,396
- Non-controlling interest		(329,885)	(83,939)
Total comprehensive (loss)/ income for the year		**(16,067,827)**	**6,735,457**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011 *(Continued)*

		31-Dec-11 EUR	31-Dec-10 EUR
Earnings Per Share attributable to the equity shareholders of the Company	27		
From continuing operations		(0.1337)	(0.1041)
Basic and diluted earnings per share			
From continuing and discontinued operations			
Basic and diluted earnings per share		(0.1573)	0.0673

The notes on pages 20 to 54 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		31-Dec-11	31-Dec-10	1-Jan-10
Assets	Notes	EUR	EUR	EUR
Non-current assets				
Property, plant and equipment	11	9,494,417	11,588,403	13,795,880
Financial assets at fair value through profit or loss	14	33,480,715	83,387,381	61,977,165
Goodwill	12	1,257,153	1,257,153	1,257,153
Total non-current assets		**44,232,285**	**96,232,937**	**77,030,198**
Current assets				
Financial assets at fair value through profit or loss	14	1,970,473	3,711,882	13,551,893
Inventories		27,000	181,000	27,000
Trade and other receivables	15	5,209,555	6,607,316	1,273,793
Cash and cash equivalents	16	497,325	812,543	5,017,459
Total current assets		**7,704,353**	**11,312,741**	**19,870,145**
Assets of disposal group classified as held for sale	10	**123,801,246**	**-**	**-**
Total assets		**175,737,884**	**107,545,678**	**96,900,343**
Liabilities				
Current liabilities				
Trade and other payables	17	2,695,704	2,380,538	1,273,241
Loans and borrowings	18	3,642,240	2,924,754	-
Corporation tax payable		104,625	9,925	49,943
Total current liabilities		**6,442,569**	**5,315,217**	**1,323,184**
Liabilities of disposal group classified as held for sale	10	**83,503,970**	**-**	**-**
Non-current liabilities				
Deferred tax	8	27,000	621,000	1,180,000
Leases		48,432	-	-
Loans and borrowings	18	1,647,400	1,290,000	638,146
Total non-current liabilities		**1,722,832**	**1,911,000**	**1,818,146**
Total liabilities		**91,669,371**	**7,226,217**	**3,141,330**
Total net assets		**84,068,513**	**100,319,461**	**93,759,013**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011 *(Continued)*

	Notes	31-Dec-11 EUR	31-Dec-10 As restated EUR	1-Jan-10 As restated EUR
Capital and reserves attributable to equity holders				
Share capital	26	1,000,000	1,000,000	1,000,000
Share premium reserve	25	121,900,310	121,900,310	121,900,310
Retained deficit	25	(40,174,182)	(24,439,609)	(31,171,218)
Foreign exchange reserve	25	(1,642,979)	(1,639,610)	(1,727,397)
Total equity and reserves		**81,083,149**	**96,821,091**	**90,001,695**
Non-Controlling Interests	2	2,985,364	3,498,370	3,757,318
Total equity		**84,068,513**	**100,319,461**	**93,759,013**

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2012.

Ion Florescu (Director)

Howard I. Golden (Chairman)

The notes on pages 20 to 54 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2011

	Share Capital	Share Premium	Foreign exchange reserve	Retained (Deficit)/ Earnings	**Sub-total**	Non-controlling Interest	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Balance at 1 January 2010 – as previously reported	**1,000,000**	**121,900,310**	**(2,964,356)**	**(33,280,080)**	**86,655,874**	**7,103,139**	**93,759,013**
Prior year adjustment – **Note 2**	-	-	1,236,959	2,108,862	3,345,821	(3,345,821)	-
Balance at 1 January 2010 – as restated	**1,000,000**	**121,900,310**	**(1,727,397)**	**(31,171,218)**	**90,001,695**	**3,757,318**	**93,759,013**
Profit for the year	-	-	-	6,731,609	**6,731,609**	(83,939)	**6,647,670**
Other comprehensive income	-	-	87,787	-	**87,787**	-	**87,787**
Total comprehensive income for the year	-	-	87,787	6,731,609	**6,819,396**	(83,939)	**6,735,457**
Dividends paid to non-controlling interests	-	-	-	-	-	(175,009)	**(175,009)**
Balance at 31 December 2010 – as restated	**1,000,000**	**121,900,310**	**(1,639,610)**	**(24,439,609)**	**96,821,091**	**3,498,370**	**100,319,461**
(Loss) / Profit for the year	-	-	-	(15,734,573)	**(15,734,573)**	(386,674)	**(16,121,247)**
Other comprehensive (loss) / income	-	-	(3,369)	-	**(3,369)**	56,789	**53,420**
Total comprehensive (loss) / income for the year	-	-	(3,369)	(15,734,573)	**(15,737,942)**	(329,885)	**(16,067,827)**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(183,121)	**(183,121)**
Balance at 31 December 2011	**1,000,000**	**121,900,310**	**(1,642,979)**	**(40,174,182)**	**81,083,149**	**2,985,364**	**84,068,513**

Share premium is stated net of share issue costs and is not distributable by way of dividend.

The notes on pages 20 to 54 form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31-Dec-11 EUR	31-Dec-10 EUR
Cash flows from operating activities			
Net profit before tax		(14,083,031)	(10,988,278)
Adjustments for:			
Depreciation and amortisation	11	295,636	210,990
Impairment	11	2,087,000	2,738,000
Loss / (Gain) on financial assets at FVTPL	6	10,373,504	5,189,945
Profit on sale of financial asset		-	50,670
Interest income		(34,290)	(18,237)
Dividend income		(35,354)	(4,082)
Net cash outflow before changes in working capital		**(1,396,535)**	**(2,820,992)**
(Increase) in trade and other receivables		1,397,761	(5,382,625)
Increase /(decrease) in trade and other payables		458,299	1,140,946
(Increase)/ decrease in inventories		154,000	(154,000)
Interest received		34,290	18,957
Dividend received		35,354	52,466
Payments for purchase of financial assets		-	(229,995)
Net proceeds from sale of financial assets		815,336	5,467,342
Cash generated by operating activities		**1,498,505**	**(1,907,901)**
Income tax paid	8	(267,921)	(107,439)
Net Cash generated by operating activities		**1,230,584**	**(2,015,340)**
Cash flows from investing activities			
Sale of property, plant and equipment		5,911	167,741
Purchase of property, plant and equipment	11	(226,776)	(1,086,963)
Purchase of financial assets		(589,500)	(8,671,500)
Sale of financial assets		211,933	3,764,880
Net Cash flow used in investing activities		**(598,432)**	**(5,825,842)**
Cash flows from financing activities			
Dividends paid to non-controlling interests		(183,121)	(175,009)
Proceeds from loan		3,613,609	4,527,329
Payments of loan		(4,338,783)	(984,369)
Net Cash used in financing activities		**(908,295)**	**3,367,951**
Decrease in cash and cash equivalents		**(276,143)**	**(4,473,231)**
Cash at beginning of year		**812,543**	**5,017,459**
Effect of foreign exchange rate changes		(39,075)	268,315
Cash at end of year	16	**497,325**	**812,543**

The notes on pages 20 to 54 form an integral part of these financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. Establishment

Reconstruction Capital II Limited was incorporated on 17 October 2005 in the Cayman Islands as an exempted company created to invest in private and listed equity and fixed income securities, including convertible and other mezzanine instruments, primarily in Romania, Bulgaria and Serbia. The Company was listed on AIM on 23 December 2005 and started trading on 27 January 2006. These financial statements show the results of the Group for the year from 1 January 2011 to 31 December 2011.

The Company generates returns for its Shareholders through two primary routes: by achieving medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private, established and/or operating primarily in Romania, Serbia and Bulgaria (the Private Equity Programme), and by making portfolio investments in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian, Serbian and Bulgarian entities (the Trading Programme).

The main focus of the Company is investments in Romania, Serbia and Bulgaria. However, the Company reserves the right to make investments in neighbouring countries, notably Ukraine, Montenegro, Moldova, Croatia, Albania and the Former Yugoslav Republic of Macedonia.

2. Prior Year Adjustment

The prior year adjustment represents a prior year correction on the value of the non-controlling interest, retained earnings and foreign exchange reserve as a result of an error identified in the allocation of the retained earnings and foreign exchange translation reserve of certain investee companies to the controlling and non-controlling interests. This error affects the consolidated statements of financial position and changes in equity for the periods prior to 1 January 2010. The change was accounted for retrospectively in accordance with the provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors".

3. Principal accounting policies

3.1 Basis of preparation

The consolidated financial statements of Reconstruction Capital II Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2011 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

3.2 Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

Amendments

- Amendments to IFRS 7 “Financial Instruments: Disclosures” (effective for annual periods beginning on or after 1 July 2011).

(ii) Not adopted by the European Union

New standards

- IFRS 9 “Financial Instruments” (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10, “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 “Disclosure of Interests in Other entities” (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 “Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 “ Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IAS 12 “Income Taxes” on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 “Financial Statements Presentation” on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 19 “Employee Benefits” (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 7 “Financial Instruments: Disclosures” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 32 “Financial Instruments: Presentation” on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” on the application of IFRS 9 'Financial Instruments' and IAS 20 'Accounting for Government Grants and Disclosure on Government Assistance' - exemption on the retrospective application of IFRSs in relation to government grants (effective for annual periods beginning on or after 1 January 2013).
- Annual Improvements 2011 (effective for annual periods beginning on or after 1 January 2013).

3. Principal accounting policies *(Continued)*

3.2 Adoption of new and revised IFRSs *(Continued)*

New IFRICs

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual period beginning on or after 1 January 2013).

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group, except from the following:

- Amendments to IFRS 7, "Financial Instruments: Disclosures" on derecognition of financial instruments. These amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. These amendments are effective for annual periods beginning on or after 1 July 2011 and have not yet been endorsed by the European Union.

- Amendment to IAS 12, "Income Taxes" on deferred tax. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, "Investment Property". This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income Taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. This amendment is effective for annual periods beginning on or after 1 January 2012 and has not yet been endorsed by the European Union.

- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income". The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. This amendment is effective for annual periods beginning on or after 1 July 2012 and has not yet been endorsed by the European Union.

- IFRS 9, "Financial Instruments". IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

3. Principal accounting policies *(Continued)*

3.2 Adoption of new and revised IFRSs *(Continued)*

- IFRS 10, "Consolidated Financial Statements". The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

- IFRS 12, "Disclosures of Interests in Other Entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2013 and have not yet been endorsed by the European Union.

- IFRS 13, "Fair Value Measurement". IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The standard is effective for annual periods beginning on or after 1 January 2013 and has not yet been endorsed by the European Union.

3.3 Revenue recognition

Revenue is wholly attributable to the principal activities of the Company and its subsidiaries. The Company's and group's principal activities are the holding and managing of investments, provision of hotel services and collection of receivables.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from sale of goods is recognised when all the following conditions, including the above, have been satisfied:

- The enterprise has transferred to the buyer the significant risks and rewards of ownership of goods;
- The enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue for hotel services is recognised in the period in which they are rendered by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenues and expenses exclude Value Added Tax and are recorded on an accrual basis.

Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from debt securities. Dividend income from listed and unlisted securities is recognised when the right to receive payment is established. Other income mainly comprises realised profit on foreign currency exchange.

3. Principal accounting policies *(Continued)*

3.3 Revenue recognition *(Continued)*

Top Factoring SRL, a company incorporated in Romania whose principal activity is the collection of receivables, recognises commissions when earned or penalties when they become due.

3.4 Basis of consolidation

3.4 a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.4 b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.4 c) Investments in associates
An associate is an entity over which the Group has significant influence but not control and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates that are held as part of the Group's investment portfolio are carried at fair value even though the Group may have significant influence over those companies. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the profit or loss in the period in which they arise.

This treatment is permitted by *IAS 28 Investment in Associates* which allows investments held by venture capital organisations and similar institutions to be excluded from the scope of IAS 28 Investment in Associates provided that those investments upon initial recognition are designated at fair value through profit or loss and accounted for in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*, with changes in fair value recognised through profit or loss in the period of change.

3.5 Foreign currency translation

3.5 a) Functional and presentational currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Company's functional currency and the group's presentation currency.

3.5 b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3. Principal accounting policies *(Continued)*
3.5 c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

3.6 Operating Segments
Operating segments are reported in a manner consistent with the internal reporting framework provided to the Chief Operating Decision Maker which is considered to be the Board of Directors.

3.7 Disposal groups held for sale
Disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable. The Group's disposal groups classified as held for sale are accounted for in the consolidated financial statements using the short cut method, which requires the investee company being disposed of to be valued at the lower of carrying amount or fair value less costs to sell at each reporting date.

3.8 Financial Assets
The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

3.8 a) Investments at fair value through profit or loss
Investments consist of principally listed and unlisted securities and are initially recognised at fair value and transaction costs are expensed in the profit or loss.

The investments designated at fair value through profit or loss are designated as such as the portfolio is managed and performance evaluated on a fair value basis in accordance with the Group's investment strategy.

Securities listed on a stock exchange or traded on any other regulated market are valued at the bid price on such exchange or market or, if no such price is available, the last traded price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security will be valued in a manner determined by the Directors to reflect its fair value.

3. Principal accounting policies *(Continued)*

3.8 a) Investments at fair value through profit or loss *(Continued)*

Realised and unrealised gains and losses arising from changes in the fair value of investments are recognised in profit or loss as they arise.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised on trade date, which is the date on which the company commits to purchase or sell the asset.

3.8 b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers but also incorporate other types of monetary assets. They are initially measured at fair value and subsequently at amortised cost. Trade receivables are reported net of impairment provisions, such provisions are recorded in a separate allowance account with the loss being recognised within operating expenses in profit or loss. On confirmation that the trade receivable is not collectable the gross carrying value of the asset is written off against the associated provision.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term highly liquid investments. Highly liquid investments readily convertible to known amounts of cash which are in a currency different from the functional currency are included in the Statement of Financial Position at the functional currency using the exchange rate at the reporting date.

Bank overdrafts are not considered to be an integral part of cash management therefore they are not included under cash and cash equivalents.

3.10 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in profit or loss'.

3.11 Inventories

Inventories are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined using the FIFO (first in first out) cost method.

3.12 Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. The Group's accounting policy for each category is as follows:

3. Principal accounting policies *(Continued)*

3.12 a) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.12 b) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3.13 IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:
(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

3.14 Equity

Share capital is determined using the nominal value of shares that have been issued. Additional premiums received on the initial issuing of the shares are included in the share premium.

Any initial expenses of the Company as those necessary for issue of shares, and expenses entirely related to the Placing and Admission such as fees payable under the placing agreement, receiving agent’s fees, registrar’s fees, admission fees, and any other applicable expenses are offset against the share premium.

3. Principal accounting policies *(Continued)*

3.15 Taxation

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.16 Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3.17 Leased assets

New Europe Capital Ltd, a subsidiary, has entered into an operating lease in respect of its office premises. Operating lease rental expenses are charged to profit or loss on a straight line basis over the term of the lease.

3.18 Property, plant and equipment

Items of property, plant and equipment are recognised at cost.

Provision for depreciation is made so as to write off the cost of non-current assets less residual value over the expected lives of the assets concerned. All companies in the Group have consistent accounting policies.

3. Principal accounting policies *(Continued)*

3.18 Property, plant and equipment *(Continued)*

The depreciation rates used by the Group are:

Leasehold improvements	-	33% per annum on a straight line basis to the end of the lease term
Computer hardware and software	-	33% per annum straight line
Motor vehicles	-	20% per annum straight line
Office equipment	-	33% per annum straight line
Buildings and infrastructure	-	2% per annum straight line

Assets in the course of construction are held at cost and reviewed periodically for impairment. The Group assesses annually whether assets have suffered any impairment by assessing the recoverable amount of cash generating units using budgets to perform discounted cash flow analysis.

The non-current assets are reviewed for impairment annually. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the conditions leading to the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. Useful life is the length of time over which a depreciable asset is expected to be useable.

3.19 Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No estimates and assumptions have been made concerning the carrying amounts of assets and liabilities as substantially all of the investments held at fair value through the profit and loss account are listed on an active exchange or were valued by an independent valuer. The fair value of such investments as at 31 December 2011 was EUR 35,451,188 (2010: EUR 87,099,263).

4 a) Critical accounting estimates and assumptions and critical judgements in applying the Group's accounting policies

(i) Functional currency
The Board of Directors considers the Euro as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Euro is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Company is compared to other European investment products.

(ii) Impairment of Property, Plant and Equipment
Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items carried at cost.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the conditions leading to the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in income.

The critical assumptions applied in the valuation of property, plant and equipment are:

- Revenue growth of 2.5%
- Weighted average cost of capital of 14.7%

Were the above critical assumptions used in the discounted cash flow analysis (DCF) to differ by 10% from the independent valuer's estimate, the fair value of the property, plant and equipment would be an estimated €0.9 million lower.

(iii) Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(iv) Disposal group held for sale
The fair value of the disposal group held for sale has been determined by an independent valuer using DCF analysis. The DCF analysis was based on the disposal group's management business plans for the period 2012-2016 for each of its business segments. The valuation methodology applied by the independent valuer is consistent with the International Financial Reporting Standards (IFRSs) and the International Valuation Standards (IVS).

The critical assumptions applied in the valuation are:

- Revenue growth: between 3% and 9%;
- Weighted average cost of capital: between 10.8% and 14.9%;
- Terminal growth: between 1% and 2.5%;
- Marketability discount: between 15% and 20%.

4 a) Critical accounting estimates and assumptions and critical judgements in applying the Group's accounting policies *(Continued)*

(iv) Disposal group held for sale (Continued)
Were the above critical assumptions used in the DCF analysis to differ from the independent valuer's estimate, the fair value of the disposal group held for sale would be an estimated €6.2 million higher or €3.6 million lower.

(v) Unlisted equity securities (Note 13)
The fair value of the unlisted equity securities has been determined by an independent valuer using DCF analysis. The DCF analysis was based on the investee company's management business plans for the period 2012-2016. The valuation methodology applied by the independent valuer is consistent with the International Financial Reporting Standards (IFRSs) and the International Valuation Standards (IVS).

The critical assumptions applied in the valuation are:

- Revenue growth: compound annual rate of 9%;
- Weighted average cost of capital: 11.3%;
- Terminal growth: 3%
- EBITDA margin: between 8,5% and 11,7%.

Were the above critical assumptions used in the DCF analysis to differ from the independent valuer's estimate, the fair value of the unlisted equity securities would be an estimated €3.7 million lower.

(vi) Impairment of unlisted equity securities
The Group follows the guidance of IAS 39 to determine when unlisted equity investments are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying value and the financial health and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management has assessed the fair value of an unlisted equity investment at 31 December 2011 and consequently the amount of €1.1 million was written off in the profit or loss (Note 14).

5. Revenue

	31-Dec-11	31-Dec-10
	EUR	**EUR**
Revenue from hotel operations	1,664,000	1,591,000
Revenue from receivables collection operations	4,071,892	3,040,539
Total Revenue	**5,735,892**	**4,631,539**

6. (Loss) on investments at fair value through profit and loss account

	31-Dec-11	31-Dec-10
	EUR	**EUR**
(Loss) / gain on investments at fair value through profit or loss	(10,348,793)	(5,190,775)
(Loss) / gain on foreign exchange	(24,711)	830
	(10,373,504)	**(5,189,945)**

7. Expenditures

	31-Dec-11 EUR	31-Dec-10 EUR
Investment Management /Advisory fees (Note 22)	1,913,970	1,950,290
Administration and custodian fees	180,000	343,488
Audit fees	135,796	111,447
Directors' fees	160,000	160,000
Impairment of property, plant and equipment (Note 11)	2,087,000	2,738,000
Depreciation (Note 11)	295,636	210,990
Rental of assets-operating leases	13,329	13,505
Foreign exchange (gain) / loss	68,697	(9,497)
Profit on disposal of investment property	-	1,191
Staff cost	1,595,978	1,523,057
Other fees	3,167,085	3,912,874
	9,617,491	**10,955,345**

An impairment charge of EUR 2,061,000 (2010: EUR 2,607,000) has arisen on the Mamaia hotel property following an independent valuation report determining that the recoverable amount was lower than the carrying value (Note 11).

Staff Costs

Staff costs can be broken down as follows:

	31-Dec-11 EUR	31-Dec-10 EUR
Wages and salaries	1,165,913	1,155,059
Social Security Expenses	430,065	298,354
Other costs related to employees	-	15,896
Share option expense	-	53,748
	1,595,978	1,523,057

The share option expense in the prior year related to two management services agreements with the general manager and the operating manager of Top Factoring SRL, a subsidiary (see Note 13), through which the option to acquire shares in Top Factoring SRL on exit by the Group has been granted. Based on estimations by management of Top Factoring SRL as at 31 December 2010, the effect of these agreements is EUR 53,748.

Investment Manager and Investment Advisory fees

New Europe Capital Limited, a subsidiary and the Investment Manager, and New Europe Capital SRL and New Europe Capital DOO, the Investment Advisors, received a management and advisory fee equivalent to 2.25% per annum of the average monthly net asset value of the Company, which is accrued and paid on a monthly basis.

The Company reimburses the Investment Manager and Investment Advisors in respect of its costs and expenses (including reasonable travel expenses) incurred in connection with the performance of its duties.

7. Expenditures *(Continued)*
The investment management and investment advisory fees are divided between the Investment Manager and Investment Advisors according to the Investment Management and Investment Advisory Agreements. The amount included in the consolidated statement of comprehensive income is EUR 1,846,863 (2010: EUR 1,950,290). See Note 22 for full details.

The Investment Manager and Investment Advisors are also entitled to a performance fee of 20% of any increase in the Net Asset Value in excess of the Base Net Asset Value (adjusted to reflect any dividends or share buy backs, but before the deduction of any accrued management fee and performance fee) which is payable annually in arrears (pro rata for partial periods).

The "Base Net Asset Value" is the greater of the Net Asset Value at the time of issue of the Shares and the highest Net Asset Value based on which a performance fee is paid in any prior calendar year ("Prior High Net Asset Value") plus an additional annually compounding hurdle rate of 8 per cent. The performance fee is divided between the Investment Manager and Investment Advisors pro rata to the respective allocation between the Company's respective Trading and Private Equity investment programmes. The total performance fee included in profit or loss is nil (2010 – nil).

Custodian's fees
The former custodian, Société Généralé S.A., received a fee at the following percentage of the net asset value of the Company as at each valuation date until the 31 October 2010:

- 0.21% per annum on the first US$50 million;
- 0.19% per annum on the next US$50 million; and
- 0.17% per annum on the remaining balance

This annual custodian fee was subject to a minimum fee of USD 15,000 which is the equivalent of EUR 11,181 as at year end. The fee was accrued monthly and payable on a quarterly basis. The custodian fee paid to Société Généralé S.A. included in profit or loss is EUR nil (2010: EUR 180,183). No amounts were outstanding at the year end.

Administrator's fees
The former administrator, Euro-VL (Ireland) Limited, received a fee at the following percentage of the net asset value of the Company as at each valuation date until 31 October 2010:

- 0.16% per annum on the first EUR25 million;
- 0.13% per annum on the next EUR25 million; and
- 0.08% per annum on the remaining balance

This annual administration fee was subject to a minimum fee of USD 50,000 which was equivalent to EUR 37,270 as at year end. This fee was accrued monthly and payable on a monthly basis. The administration fee included in profit or loss is EUR nil (2010: EUR 88,367). No amounts were outstanding at the year end.

Administrator and Custodian fees
The current administrator and custodian, Sanne Trust Company Limited, receives a fixed monthly fee, payable quarterly in arrears. The administration and custodian fee included in the profit or loss is EUR 180,000 (2010: EUR 74,938). An amount of EUR 67,070 was outstanding at the year end (2010: EUR 45,000).

7. Expenditures *(Continued)*

Director's fees

The Directors are considered to be key management personnel of the Group. The remuneration of each Director is detailed in the table below:

	2011	**2010**
	EUR	**EUR**
Howard I. Golden	40,000	40,000
Ion Alexander Florescu	30,000	30,000
Franklin Pitcher Johnson Jr.	30,000	30,000
Markus Winkler	30,000	30,000
Dirk Van den Broeck	30,000	30,000
Total	**160,000**	**160,000**

In addition, the Directors were also entitled to be reimbursed for their reasonable out of pocket expenses incurred in discharging their duties as Directors. During the current and prior year, the Directors did not benefit from long term incentive schemes or post-employment benefits and no directors made gains from exercising share options. Mr Florescu also received remuneration from New Europe Capital Limited of EUR 117,063, which included EUR 23,866 of pension benefits (2010: EUR 67,645, which included EUR 23,286 of pension benefits).

8. Income tax expense

	31-Dec-11	**31-Dec-10**
	EUR	**EUR**
Current tax on profit for the year	264,952	66,784
Deferred tax arising from temporary timing differences	(594,000)	(559,000)
Withholding tax	2,969	634
Tax on profit on ordinary activities	**(326,079)**	**(491,582)**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the Cayman Islands applied to the profit for the period are as follows:

	31-Dec-11	**31-Dec-10**
	EUR	**EUR**
(Loss) / Profit before taxation	(6,806,766)	3,441,508
Expected tax charge based on the standard rate of corporation tax in the Cayman Islands of 0%	-	-
Effect of:		
Foreign tax - UK Corporation tax	67,915	33,092
Foreign tax – Cyprus Corporation tax	197,037	27,018
Foreign tax - Romanian Corporation tax	-	6,674
Tax on profit on ordinary activities	**264,952**	**66,784**

Reconstruction Capital II Ltd is incorporated in the Cayman Islands and is not subject to taxes on income or gains under Section 6 of the Cayman Islands Tax Concessions Law (Revised).

8. Income tax expense *(Continued)*

RC2 (Cyprus) Ltd, Georok Holdings Ltd and Glasro Holdings Ltd are all incorporated in Cyprus. A tax charge of EUR nil has been recognised for the financial year in respect of both RC2 (Cyprus) Ltd and Georok Holdings Ltd (2009: nil and nil respectively). In respect of Glasro Holdings Ltd, a tax charge of EUR 197,037 has been recognised for the financial year (2010: EUR 27,018).

RC2 (Cyprus) Imobiliara SRL, Top Factoring S.R.L. and Mamaia Resort Hotels S.R.L. are all incorporated in Romania and are subject to Romanian corporation tax at 16%. A tax charge of EUR nil, EUR nil and EUR nil respectively have been recognised for the financial year (2010: nil, EUR 1,674 and EUR5,000 respectively).

The UK corporation tax charge relates to New Europe Capital Ltd and is based on the profit for the year and has taken into account taxation deferred. The tax charge is liable and payable in the United Kingdom in accordance with United Kingdom tax laws.

Deferred tax expense

Deferred tax is computed on temporary differences arising from the revaluation of assets in Mamaia Resort Hotels SRL. The tax laws changed in Romania during the prior year whereby historic revaluations are no longer tax deductible, and are subject to a tax rate of 16%. The movement in deferred tax for the year is shown below.

	31-Dec-11	**31-Dec-10**
	EUR	**EUR**
At 1 January	621,000	1,180,000
Recognised in profit or loss		
Tax release on timing differences relating to property revaluations	(594,000)	(559,000)
At 31 December	**27,000**	**621,000**

9. Tax on components of other comprehensive income
The components of other comprehensive income are not subject to tax.

10. Disposal group held for sale
On 2 June 2012, the Group acquired control of the East Point Holding Group through a series of transactions which were legally completed in 2012. The Group’s final shareholding in East Point Holding Group is 63%.

The assets and liabilities related to East Point Holding Group have been presented as held for sale, as Management has already sold some of its divisions and is seeking buyers for the remaining divisions.

	31-Dec-11	**31-Dec-10**
	EUR	**EUR**
Operating cash flows- (loss) / gain from disposal group held for sale, including negative goodwill	(2,364,295)	17,144,366
Investing cash flows	-	-
Financing cash flows	-	-
Total cash flows	**(2,364,295)**	**17,144,366**

10. Disposal group held for sale *(Continued)*

(i) Assets of disposal group classified as held for sale

	31-Dec-11 EUR	31-Dec-10 EUR
Property, plant and equipment	86,435,822	-
Other intangible assets	297,103	-
Other non-current assets	6,800,663	-
Inventory	21,663,390	-
Other current assets	32,041,588	-
Fair value loss including negative goodwill on acquisition of controlling interest	(23,437,320)	-
Total	**123,801,246**	**-**

(ii) Liabilities of disposal group classified as held for sale

	31-Dec-11 EUR	31-Dec-10 EUR
Trade and other payables	10,709,799	-
Other current liabilities	57,103,537	-
Other non-current liabilities	15,235,987	-
Provisions	454,647	-
Total	**83,503,970**	**-**

(iii) Cumulative income or expense recognized in other comprehensive income relating to disposal group classified as held for sale

	31-Dec-11 EUR	31-Dec-10 EUR
Foreign exchange translation adjustments	-	-
Total	**-**	**-**

Analysis of the result of discontinued operations:

	31-Dec-11 EUR	31-Dec-10 EUR
(Loss) / gain for the year on operations acquired with a view to sell	**(2,364,295)**	**17,144,366**

The fair value of the consideration paid to acquire the controlling interest in East Point Holdings Limited was €31,665,001, which consists of the Group's share of the fair value of assets transferred from the disposal group to its previous shareholders and the fair value of the Group's previously held 42% interest.

11. Property, plant and equipment

At 1 January 2010	Buildings and infrastructure EUR	Motor Vehicles EUR	Office Equipment EUR	Computer hardware and software EUR	Assets in course of construction EUR	Total EUR
Cost or valuation	15,559,000	477,342	100,737	23,360	163,000	16,323,439
Accumulated depreciation	(2,311,000)	(145,098)	(61,803)	(9,658)	-	(2,527,559)
Net book amount	**13,248,000**	**332,244**	**38,934**	**13,702**	**163,000**	**13,795,880**
Year ended 31 December 2010						
Opening net book amount	**13,248,000**	**332,244**	**38,934**	**13,702**	**163,000**	**13,795,880**
Additions	791,000	123,893	167,084	1,986	3,000	1,086,963
Disposals	-	(2,286)	(1,636)	(1,000)	(160,000)	(164,922)
Depreciation charge	(229,000)	8,737	13,074	(3,801)	-	(210,990)
Impairment losses (Note 7)	(2,607,000)	(102,000)	(29,000)	-	-	(2,738,000)
Translation differences	(172,000)	(6,312)	(309)	93	(2,000)	(180,527)
Closing net book amount	**11,031,000**	**354,276**	**188,147**	**10,980**	**4,000**	**11,588,403**

At 31 December 2010	Buildings and infrastructure EUR	Motor Vehicles EUR	Office Equipment EUR	Computer hardware and software EUR	Assets in course of construction EUR	Total EUR
Cost or valuation	13,571,000	490,637	236,876	24,439	4,000	14,326,952
Accumulated depreciation	(2,540,000)	(136,361)	(48,729)	(13,459)	-	(2,738,549)
Net book amount	**11,031,000**	**354,276**	**188,147**	**10,980**	**4,000**	**11,588,403**
Year ended 31 December 2011						
Opening net book amount	**11,031,000**	**354,276**	**188,147**	**10,980**	**4,000**	**11,588,403**
Additions	-	118,813	104,808	3,155	-	226,776
Disposals	-	(4,000)	(1,911)	-	-	(5,911)
Depreciation charge	(125,101)	(76,090)	(81,344)	(13,101)	-	(295,636)
Impairment losses (Note 7)	(2,061,000)	(22,000)	-	-	(4,000)	(2,087,000)
Revaluation	-	-	(27,000)	-	-	(27,000)
Translation differences	34,101	44,970	15,714	-	-	94,785
Closing net book amount	**8,879,000**	**415,969**	**198,414**	**1,034**	**-**	**9,494,417**

At 31 December 2011	Buildings and infrastructure EUR	Motor Vehicles EUR	Office Equipment EUR	Computer hardware and software EUR	Assets in course of construction EUR	Total EUR
Cost or valuation	11,544,101	628,420	328,487	27,594	-	12,528,602
Accumulated depreciation	(2,665,101)	(212,451)	(130,073)	(26,560)	-	(3,034,185)
Net book amount	**8,879,000**	**415,969**	**198,414**	**1,034**	**-**	**9,494,417**

12. Goodwill

	31-Dec-11	31-Dec-10
	EUR	EUR
At beginning of year	1,257,153	1,257,153
Net book value at end of year	**1,257,153**	**1,257,153**

The goodwill relates to the acquisition of Top Factoring SRL, a receivables collection company acquired on 24 May 2007.

The goodwill has been tested for impairment by comparing the carrying amount to the recoverable amount. The recoverable amount of the asset is the higher of its value in use and the fair value less cost to sell. The value in use is the present value of the future cash flows expected from the underlying business. The goodwill is not impaired since the carrying amount is less than the recoverable amount.

As at 31 December 2011 the recoverable amount was significantly higher than the carrying value. Management used an independent valuer to determine the value in use. In its valuation the independent valuer used discounted cash flow forecasts to determine the recoverable amount. Forecasts were prepared to 2016 and assumed growth rates between 13% and 44% (2010: to 2015 and rates of between 13% and 44%). A discount rate of 11.5% was estimated using a CAPM model (2010: 12.21%).

13. Subsidiaries

The principal subsidiaries of Reconstruction Capital II Ltd, all of which have been included in these consolidated financial statements, are as follows:

	Country of incorporation	Proportion of ownership interest
RC2 (Cyprus) Ltd	Cyprus	100%
Georok Holdings Ltd (Dormant Company)	Cyprus	100%
RC2 (Cyprus) Imobiliara SRL (Dormant Company)	Romania	99%
Top Factoring SRL	Romania	92%
Glasro Holdings Ltd	Cyprus	100%
Mamaia Resort Hotels SRL	Romania	63%
New Europe Capital Ltd	Great Britain	60%
East Point Holdings Limited (*)	Cyprus	63%

New Europe Capital Ltd has issued a particular class of share capital that does not have voting rights. Consequently, the voting power held by Reconstruction Capital II Limited is 60% but its economic interest is 7.5%

The Company’s proportion of voting rights in all other subsidiaries is the same as its ownership interest.

(*) At 31 December 2010, Reconstruction Capital II Limited held a 42% interest in East Point Holdings Limited (“**EPH**”). During the year, Reconstruction Capital II Limited acquired a controlling interest in EPH. As this subsidiary is held with the sole intention of resale, it has been re-classified from investments held at fair value through profit and loss to being a disposal group and accordingly has been measured and accounted for under IFRS 5 ‘Non-current assets held for sale and discontinued operations’ .

14. Financial assets

Non-current investments	31-Dec-11 EUR	31-Dec-10 EUR
Unlisted equity securities	26,756,714	73,789,908
Listed equity securities	6,724,001	9,597,473
	33,480,715	**83,387,381**
Cost	45,998,582	85,663,687
Unrealised loss on investments	(12,517,867)	(2,276,306)
Fair value of the investments	**33,480,715**	**83,387,381**

Current investments	31-Dec-11 EUR	31-Dec-10 EUR
Listed equity securities	1,970,473	3,711,882
Unlisted equity options	-	-
Total financial assets at fair value through profit or loss	**1,970,473**	**3,711,882**
Cost	9,505,523	11,945,797
Unrealised loss on investments	(7,535,050)	(8,233,915)
Fair value of the investments	**1,970,473**	**3,711,882**

The fair value of quoted equity securities has been determined by using the closing bid price on the relevant exchange or market. All financial assets held at fair value through profit or loss were designated as such upon initial recognition.

The fair value of unlisted investments has been determined by commissioning independent valuation reports. The inputs used in valuing these investments are not based on observable market data and require judgement, considering factors specific to the investment.

At 31 December 2011, the Group wrote off in the profit and loss (see Note 4) an unlisted equity security with a carrying value of €1.1 million (2010: €1.1 million).

15. Trade and other receivables

	31-Dec-11 EUR	31-Dec-10 EUR
Trade receivables	5,209,555	6,607,316
Other receivables	-	-
	5,209,555	**6,607,316**

All trade receivables are classed as loans and receivables and their book value approximates fair value.

16. Cash and cash equivalents

	31-Dec-11 EUR	31-Dec-10 EUR
Cash on hand and demand deposits	497,325	812,543

17. Trade and other payables

	31-Dec-11 EUR	31-Dec-10 EUR
Trade payables	520,424	739,127
Other payables and accruals	2,175,280	1,641,411
	2,695,704	**2,380,538**

All trade payables are classed as financial liabilities measured at amortised cost under IAS 39. The book value approximates fair value.

18. Borrowings

	31-Dec-11 EUR	31-Dec-10 EUR
Unsecured borrowing at amortised cost		
Bank overdrafts	237,177	232,000
Bank loans	857,000	1,157,074
Loan from related party	1,799,475	2,266,655
Other loans	495,070	559,025
	3,388,722	**4,214,754**
Secured borrowing at amortised cost		
Bank loans	**1,900,918**	**-**
Total borrowings	**5,289,640**	**4,214,754**
Amount due for settlement within 12 months	3,642,240	2,924,754
Amount due for settlement after 12 months	1,647,400	1,290,000

The principle features of the group's borrowings are as follows:

(i) Bank overdrafts are repayable on demand. An overdraft of EUR 237,177 (2010: EUR 232,000) is used for operating purposes and bears interest at a rate of EURIBOR plus a margin of 5.5%.

(ii) The Group has two principal bank loans:

a. A loan facility of EUR 1,482,930 with Raiffeisen Bank which bears interest at a rate of EURIBOR plus a margin of 5.5%. At 31 December 2011, the balance of EUR 857,000 was outstanding and the full amount payable has been classified as due for settlement within 12 months (2010: balance of EUR 1,157,074 of which EUR 376,074 due to be settled within 12 months and EUR 781,000 after 12 months).

18. Borrowings *(Continued)*

b. A secured loan facility of EUR 2,000,000 with Raiffeisen Bank which was initially entered into in March 2011. The loan facility is split into two sub facilities of EUR 1,000,000 each. Sub Facility 1 has a maturity date of 31 January 2012 and Sub Facility 2 has a maturity date of 30 September 2013. Both sub facilities bear interest at a rate of EURIBOR plus a margin of 5.25%. As at 31 December 2011, the balance of EUR 1,900,918 was outstanding, of which EUR 1,500,918 was due to be settled within 12 months and EUR 400,000 was due to be settled after 12 months (2010: EUR nil).

This facility has been secured by a first-rank mortgage over the Group's holding in certain listed shares, which had a value of EUR 4.26 million at 31 December 2011 and also with a first-ranking charge over certain operational bank accounts held at Raiffeisen bank.

(ii) The Group has the following related party loans:

a. An unsecured bridging loan from the directors of the Company was granted on 29 September 2011 in the sum of EUR 950,000. The loan has a 1% arrangement fee and bears interest of 8% if repaid within 6 months, 9% if repaid within 9 months or 10% if repaid after 9 months. All interest is repayable on maturity.

A total of EUR 968,948 was outstanding at 31 December 2011, all of which has been classified as due to be settled within 12 months (2010: EUR nil).

b. A second unsecured loan from the directors of the Company, or persons connected with a director of the Company, was granted on 5 December 2011 in the sum of USD 1,032,563 (EUR 756,000). The terms of the loan include a 2% arrangement fee and an interest rate of 12% if repaid within 6 months, if it is not repaid within that period then after 6 months the interest rate increases to 16% and if it is still outstanding after 12 months, the interest rate increases to 20% after that period. All interest is repayable on maturity.

A total of EUR 802,400 was outstanding at 31 December 2011, all of which has been classified as due to be settled after 12 months (2010: EUR nil).

c. As at 31 December 2010, a loan of EUR 2,238,649 was payable to Tidal Wave Trading Limited which is a related party in which the directors of the Company are also shareholders. Interest was fixed at 8% per annum and the initial balance of EUR 2,205,000 was granted for a period of 12 months from 6 December 2010. The loan balance and accrued interest were repaid in full on 14 January 2011.

19. Exchange Rates

The financial statements are prepared in Euro. The following exchange rates at 31 December have been used to translate assets and liabilities denominated in other currencies to Euro:

Currency	**31-Dec-11**	**31-Dec-10**
GBP	1.201200	1.1671000
USD	0.770351	0.7454175
RON	0.231191	0.2356490
BGN	0.511229	0.5113000
RSD	0.009425	0.0094312

20. Net Asset Value (excluding non-controlling interest)

	31-Dec-11	31-Dec-10 As restated
	EUR	EUR
Net assets (excluding non-controlling interest)	81,083,149	96,821,091
Number of shares	100,000,000	100,000,000
Net Asset Value per share	0.8108	0.9682

21. Commitments under operating leases

As at 31 December 2011, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as set out below:

	31-Dec-11	31-Dec-10
Minimum lease payments due:	EUR	EUR
Not later than one year	14,414	13,852
Later than one year and not later than five years	21,622	28,000
	36,036	**41,852**

22. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Mr Florescu is a director of New Europe Capital Limited and New Europe Capital SRL, which were the Investment Manager and one of the Investment Advisers to the Company, respectively. Total management and advisory fees for the period amounted to EUR 2,367,773 (2010: EUR 2,294,458). Total fees outstanding as at 31 December 2011 were EUR 1,381,396 (2010: EUR 487,808).

Investment Management and Advisory fees	**31-Dec-11**	**31-Dec-10**
	EUR	**EUR**
New Europe Capital Ltd *	520,910	344,168
New Europe Capital SRL	1,089,176	1,491,398
New Europe Capital DOO**	757,687	458,892
	2,367,773	**2,294,458**

Outstanding Amounts	**31-Dec-11**	**31-Dec-10**
	EUR	**EUR**
New Europe Capital Ltd *	133,197	29,490
New Europe Capital SRL**	735,340	380,921
New Europe Capital DOO**	512,860	77,397
	1,381,397	**487,808**

The investment management and advisory fee is accrued and is payable monthly in arrears. There were no performance fees paid or payable in respect of 2011 or 2010.

* New Europe Capital Limited is part of the Group and so these amounts are eliminated on consolidation.
** New Europe Capital SRL and New Europe Capital DOO are related to the Group through the common beneficial interest of a Director.

23. Financial Instruments

Risk management objectives and policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by its investment team which manages the assets to achieve the investment objectives. The most significant financial risks to which the Group is exposed are set out below.

Credit risk

The Group is exposed to credit risk as a result of holding cash balances and trade receivables. The maximum exposure to credit risk on 31 December is:

	31-Dec-11	31-Dec-10
	EUR	EUR
Trade and other receivables	5,209,555	6,607,316
Cash and cash equivalents	497,325	812,543
	5,706,880	7,419,859

Trade receivables and cash are both classified as loans and receivables so the total credit risk exposure to loans and receivables is EUR 5,706,880 (2010 - EUR 7,419,859).

The majority of the trade and other receivables balance, EUR 4,309,417, relate to purchased portfolios of receivables by Glasro Holdings Limited and Top Factoring S.R.L. between December 2006 and December 2010 (2010: EUR 1,908,632).

As at 31 December 2010, EUR 3,817,539 of the trade and other receivables related to an amount receivable following the sale of non-current financial asset, which was received into the bank account on 11 January 2011.

There are no trade and other receivable amounts past due or impaired, nor is there any reason to believe that the trade and other receivables balance of EUR 5,209,555 will not be fully recovered.

The Group's cash is held with regional and foreign banks and is diversified appropriately. The rating of the banks where the Group held cash and cash equivalents, are shown below. Cash held at broker accounts, or at foreign banks where no rating is available, have been classified as 'Other'.

Cash and cash equivalents

Rating	Rating Agency	31-Dec -11	31-Dec-10
Aaa	Moody's	399	
Aa2	Moody's	206,192	
A1 / A+	Moody's / Standard & Poor's	10,838	210,367
A2 / A	Moody's / Standard & Poor's	75,453	167,033
Baa3	Moody's	190,538	
Ba2	Moody's	1,076	
Other with no external rating		12,829	435,143
		497,325	812,543

In accordance with the Group's policy the Investment Manager monitors credit risk on a daily basis, and management reviews it on a quarterly basis.

23. Financial Instruments *(Continued)*

Market risk

The Group may invest in securities of smaller issuers which are believed by the investment team to have growth potential. Investment in such securities may present greater opportunities for growth but also involves greater risk than is customarily associated with the securities of more established issuers. Such issuers may have limited product lines, markets or financial recourses and therefore being subject to erratic market movements than securities of larger companies and may be dependent for their management on one or two key individuals.

The market for buying and selling private company securities in Romania, Serbia, Bulgaria and neighboring countries is substantially less developed and the formalities for transferring shares are lengthy. Investments in unlisted securities are more speculative and involve a higher degree of risk and lower level of liquidity.

Foreign currency risks

The Group holds assets denominated in RON and BGN. Accordingly, a change in the value of the RON and/or BGN relative to the Euro will result in corresponding change in the Euro value of the Group's assets denominated in RON and/or BGN. There is a greater likelihood of currency devaluation, imposition of more severe foreign currency exchange controls, a lack of availability of or access to foreign currency and pronounced currency exchange rate fluctuations occurring in Romania and Bulgaria in relation to the RON and BGN than in Western Europe in relation to major Western European currencies.

The Group is unlikely to hedge currency risks or the risk of fluctuations in the value of the assets of the Group due to the present lack of availability of suitable hedging instruments (such as warrants, futures and options). If suitable instruments become available over time, the Group reserves the right to employ a hedging strategy for such purposes. The Investment Manager closely monitors the currency fluctuations to minimize the exposure to currency risks. The table below summarises the Group's exposure to currency risks:

All amounts stated in Euro **31-Dec-11**	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
GBP	21,659	-	21,659
USD	685	(802,399)	(801,714)
RON	4,489,546	(517,905)	3,971,641
BGN	615	-	615
	4,512,505	(1,320,304)	3,192,201

All amounts stated in Euro **31-Dec-10**	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
GBP	143,349	-	143,349
USD	215	-	215
RON	496,835	(1,976,105)	(1,479,270)
BGN	-	-	-
	640,399	(1,976,105)	(1,335,706)

At 31 December, had the exchange rates between the Euro and all other currencies increased by 5%, with all other variables held constant, the movement in net assets attributable to holders of ordinary shares would be as follows:

23. Financial Instruments *(Continued)*

Foreign currency risks *(Continued)*

31-Dec-11	**EUR**	**31-Dec-10**	**EUR**
GBP	1,083	GBP	7,167
USD	(40,086)	USD	11
RON	198,582	RON	(73,963)
BGN	31	BGN	-
	159,610		**(66,785)**

A 5% decrease in the exchange rates would have had an equal but opposite effect on the net assets attributable to holders of ordinary shares.

Liquidity risk

Less liquid investments
The Bucharest Stock Exchange, RASDAQ, Belgrade Stock Exchange and the Bulgarian Stock Exchange have considerably less trading volume than most Western European exchanges and the market capitalisations of listed companies are small compared to those listed on more developed exchanges in developed markets. The listed equity securities of many companies in Romania and Bulgaria are accordingly materially less liquid, subject to greater dealing spreads and costs and experience materially greater volatility than those of Western European countries.

Government supervision and regulation of the Romanian, Serbian and Bulgarian securities markets and of quoted companies is also less developed. Due to the relative illiquidity of the Bucharest Stock Exchange, Belgrade Stock Exchange, RASDAQ and the Bulgarian Stock Exchange, anticipation of the investment of the Company’s funds may adversely influence the price paid by the Group in purchasing securities for its portfolio and may affect the speed at which the Group can invest those proceeds.

This relative lack of liquidity may also make it difficult for the Group to effect an orderly disposal of an investment listed on the Bucharest Stock Exchange, Belgrade Stock Exchange, RASDAQ or the Bulgarian Stock Exchange. The liquidity risk is managed by both the Board and by the Investment Manager and Investment Advisors.

Cash Flows
The table below sets out the Group’s contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31-Dec-11	**Less than 1 month EUR**	**Less than 1 year EUR**	**1 – 2 years EUR**	**2 – 5 years EUR**	**Greater than 5 years EUR**	**No stated maturity EUR**
Accrued expenses	1,685,156	-	-	-	-	-
Trade and other payables	520,423	490,125	-	-	-	-
Loans and borrowings	3,883	3,638,357	400,000		-	1,247,400
	2,209,462	**4,128,482**	**400,000**	**-**	**-**	**1,247,400**

23. Financial Instruments *(Continued)*

Cash Flows *(Continued)* **31-Dec-10**	**Less than 1 month EUR**	**Less than 1 year EUR**	**1 – 2 years EUR**	**2 – 5 years EUR**	**Greater than 5 years EUR**	**No stated maturity EUR**
Accrued expenses	618,914	-	-	-	-	-
Trade and other payables	-	1,761,625	-	-	-	-
Loans and borrowings	2,238,649	656,248	-	781,000	-	538,857
	2,857,563	**2,417,873**	**-**	**781,000**	**-**	**538,857**

Interest rate risk
The majority of the Group’s financial assets and liabilities are non-interest bearing; as a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The current deposit positions are closely monitored. The Investment Manager takes a prudent approach when selecting deposits and banks and not exposing the Group to risk by holding cash with banks which have aggressive investment policies.

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Group’s exposure to interest rate risks. It includes the Group’s assets and liabilities at fair values.

	Interest Bearing		**Non-interest**
31-Dec-11	**Fixed**	**Floating**	**bearing**
	EUR	**EUR**	**EUR**
Trade and other receivables	315,186	-	4,894,369
Cash and cash equivalents	129,888	316,231	51,206
Total current assets	445,074	316,231	4,945,575
Trade and other payables	-	-	2,695,704
Loans and borrowings - current	997,075	2,595,095	50,070
Loans and borrowings – non-current	802,400	845,000	-
Total liabilities	1,799,475	3,440,095	2,745,774
Total interest sensitivity gap	**(1,354,401)**	**(3,123,864)**	

	Interest Bearing		**Non-interest**
31-Dec-10	**Fixed**	**Floating**	**bearing**
	EUR	**EUR**	**EUR**
Trade and other receivables	-	-	6,607,316
Cash and cash equivalents	382,973	423,774	5,796
Total current assets	382,973	423,774	6,613,112
Trade and other payables	-	-	2,380,538
Loans and borrowings - current	2,238,649	608,074	78,031
Loans and borrowings – non-current	509,000	781,000	
Total liabilities	2,747,649	1,389,074	2,458,569
Total interest sensitivity gap	**(2,364,676)**	**(965,300)**	

23. Financial Instruments *(Continued)*

Interest rate risk *(Continued)*
Should interest rates have been lower by 25 basis points with all other variables remaining constant, and the cash level remained constant during the year, the decrease in net assets attributable to holders of ordinary shares would amount to approximately EUR 1,115 (2010: EUR 2,017). An increase in interest rates would have an equal and opposite effect on the net assets attributable to holders of ordinary shares.

Price risk
The Group trades in financial instruments, taking positions in traded and over-the-counter instruments. All investments in securities represent a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities. The Group's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. At 31 December, the overall market exposures were as follows:

		31-Dec-11		31-Dec-10
		Percentage of		Percentage of
Investment assets	**EUR**	**Net Assets**	**EUR**	**Net Assets**
Listed equity investments	8,694,474	10%	13,309,355	13%

As at 31 December, if BET-EUR (Bucharest Stock Exchange Trading index) and SOFIX (the Bulgarian Stock Exchange Trading index) rose or fell by 5% and the listed equity and debt investments reacted in the same way, the increase or decrease respectively in net assets attributable to holders of ordinary shares would be 0.5% or EUR 434,724 (2010: 0.67% or EUR 665,467).

Capital Management and procedures

The current Group policy is to fund investments through equity. No future change in this policy is envisaged. In the medium term the intention is that capital will be managed so as to maximize the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain the future development of the business. The policy is for profits from realisations from the investment portfolio to lead to the return of capital to shareholders.

Under the Group's share buy-back programme, 12,681,054 ordinary shares were repurchased in December 2008. This was funded by the realised profit made in 2007.

The Group's capital is summarised by the consolidated changes of statement in equity and consists of share capital, share premium and retained earnings.

The Group's policy is not to invest in a single investee company that is greater than 25% of the net asset value at the time of effecting the investment.

23. Financial Instruments *(Continued)*

Capital Management and procedures *(Continued)*

Fair Value Information

All of the Company's financial instruments are carried at fair value in the Statement of Financial Position. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

The carrying amounts of all the Company's financial assets and financial liabilities at the year end date approximated their fair value.

Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 3 of the Significant accounting policies section. For fair values of investments classified as level 3 (see below), the following assumptions apply:

Policolor S.A.

Policolor S.A. was valued by an independent valuer as at 31 December 2011. The major assumptions used in the valuation are as follows:

- 11.3% weighted average cost of capital
- A terminal value rate of 3%
- Revenue growth of 9%
- EBITDA margin between 8.5% and 11.7%

Fair value hierarchy

Investment in securities are carried at fair value. IFRS 7 defines fair value as the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 7 establishes a three-tier fair value hierarchy that prioritises the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under IFRS 7 are described below:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable from the market, either directly (as prices) or indirectly (as derived from prices);
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

23. Financial Instruments *(Continued)*

Fair Value Information *(Continued)*
The following tables present the financial instruments carried on the Statement of Financial Position by caption and by level within the valuation hierarchy:

As at 31 December 2011

	Total	Level 1	Level 2	Level 3
Assets	**EUR**	**EUR**	**EUR**	**EUR**
Equity investments	**35,451,188**	8,694,473	-	26,756,715
Total	**35,451,188**	8,694,473	-	26,756,715

As at 31 December 2010

	Total	Level 1	Level 2	Level 3
Assets	**EUR**	**EUR**	**EUR**	**EUR**
Equity investments	**87,099,263**	13,309,355	-	73,789,908
Total	**87,099,263**	13,309,355	-	73,789,908

Assets Measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were as follows:

	Total	Equities	Equity options
	EUR	**EUR**	**EUR**
Beginning balance 1 January 2011	73,789,908	73,789,908	-
Total gains or losses (realised/unrealised):			
-In investment income	(23,985,683)	(23,985,683)	-
Purchase, issuances and settlements	3,103,484	3,103,484	-
Settlements	(3,050,966)	(3,050,966)	
Transfer to Assets Held for sale	(23,100,028)	(23,100,028)	-
Ending balance 31 December 2011	**26,756,715**	**26,756,715**	**-**
Unrealised loss in earnings from assets still held at year end	(5,243,286)	(5,243,286)	-

	Total	Equities	Equity options
	EUR	**EUR**	**EUR**
Beginning balance 1 January 2010	52,986,005	47,458,951	5,527,054
Total gains or losses (realised/unrealised):			
-In investment income	(1,673,961)	(1,673,961)	-
-In discontinued operations	17,144,366	17,144,366	
Purchase, issuances and settlements	8,671,500	8,671,500	-
Settlements	(3,817,539)	(3,817,539)	-
Transfer from level 1	479,537	479,537	-
Exercise of equity options	-	5,527,054	(5,527,054)
Ending balance 31 December 2010	**73,789,908**	**73,789,908**	**-**
Unrealised gain in earnings from assets still held at year end	4,962,412	4,962,412	-

24. Operating segments

The Group manages its business primarily by reference to operating segments and this approach is adopted in the accounting policies. According to its Admission Document, the Company's main objective is to generate returns for its shareholders through two primary routes: to achieve medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities (the Trading Programme). On this basis the Chief Operating Decision Maker which is considered to be the Board of Directors has identified its operating segments.

The hotel operations incorporate all summer season activities, together with providing all-year services for business travelers.

The "All other" column includes New Europe Capital Ltd and other items which the Chief Operating Decision Maker does not consider to be operating segments.

	Consumer Debt Collection	Hotel Operations	Listed Private Equity Programme	Unlisted Private Equity Programme	Trading Programme	All Other	Total
	31-Dec-11	**31-Dec-11**	**31-Dec-11**	**31-Dec-11**	**31-Dec-11**	**31-Dec-11**	**31-Dec-11**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Reportable segment total assets	4,911,699	9,579,000	6,724,000	150,557,960	1,970,473	1,994,752	**175,737,884**
Reportable segmental (loss)/ gain (before tax)	930,635	591,698	(2,873,473)	(13,786,288)	(926,073)	(57,746)	**(16,121,247)**
Reportable segment liabilities	(2,661,969)	(2,001,105)	-	(83,503,970)	-	(3,502,327)	**(91,669,371)**
Revenue from external customers	4,071,892	1,664,000	-	-	-	-	**5,735,892**
Gains on investments at FVTPL	-	-	(2,873,473)	(6,549,248)	(926,073)	(24,710)	**(10,373,504)**
Loss on operations acquired for re-sale	-	-	-	(2,364,295)	-	-	**(2,364,295)**
Interest revenue	-	9,000	-	-	-	25,290	**34,290**
Depreciation and impairment	(62,124)	(2,295,691)	-	-	-	(24,822)	**(2,382,637)**
Dividends	-	-	-	-	35,354	-	**35,354**
Income tax (expense)	(197,037)	594,000	-	-	-	(70,884)	**326,079**
Other income	5,289	-	-	-	-	315,031	**320,320**

Reportable segments

	Consumer Debt Collection	Hotel Operations	Listed Private Equity Programme	Unlisted Private Equity Programme	Trading Programme	All Other	Total
	31-Dec-10	**31-Dec-10**	**31-Dec-10**	**31-Dec-10**	**31-Dec-10**	**31-Dec-10**	**31-Dec-10**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Reportable segment total assets	2,419,471	11,969,000	9,597,473	73,789,907	3,711,882	6,057,945	**107,545,678**
Reportable segmental (loss)/ gain (before tax)	581,129	(428,000)	(4,920,740)	17,024,366	(203,249)	(5,405,836)	**6,647,670**
Reportable segment liabilities	(1,227,156)	(1,539,247)	-	(1,188,511)	-	(3,271,303)	**(7,226,217)**

24. Operating segments *(Continued)*

Reportable segments *(Continued)*

	Consumer Debt Collection **31-Dec-10** **EUR**	Hotel Operations **31-Dec-10** **EUR**	Listed Private Equity Programme **31-Dec-10** **EUR**	Unlisted Private Equity Programme **31-Dec-10** **EUR**	Trading Programme **31-Dec-10** **EUR**	All Other **31-Dec-10** **EUR**	Total **31-Dec-10** **EUR**
Revenue from external customers	3,040,539	1,591,000	-	-	-	-	**4,631,539**
Gains on investments at FVTPL	-	-	(4,866,696)	(120,000)	(203,249)	-	**(5,189,945)**
Loss on operations acquired for re-sale	-	-	-	17,144,366			**17,144,366**
Interest revenue	1,191	-	-	13,437	-	3,609	**18,237**
Depreciation and impairment	(49,830)	(2,896,000)	-	-	-	(2,197)	**(2,948,027)**
Dividends	-	-	-	-	4,082	-	**4,082**
Income tax (expense)	(28,693)	554,000	(634)	(28,693)	-	(4,398)	**491,582**
Other income	-	232,000	18,729	-	-	252,425	**503,154**

The geographical areas of operation for products and services are as follows:

	Romania **31-Dec-11** **EUR**	**Serbia** **31-Dec-11** **EUR**	**Other** **31-Dec-11** **EUR**	**Total** **31-Dec-11** **EUR**
Revenues				
Total investment income/ (loss)	(10,360,911)	(12,593)	-	**(10,373,504)**
Loss on operations acquired for re-sale	-	(2,364,295)	-	**(2,364,295)**
Revenue from hotel operations	1,664,000	-	-	**1,664,000**
Commissions from receivables collection operations	4,071,892	-	-	**4,071,892**
Interest income	22,689	-	11,601	**34,290**
Dividend income	35,354	-	-	**35,354**
Other income	9,000	-	311,320	**320,320**
	(4,557,976)	**(2,376,888)**	**322,921**	**(6,611,943)**
Total assets				
Financial assets at FVTPL	35,437,918	13,270	-	35,451,188
Assets of disposal group classified as held for sale	-	123,801,246	-	123,801,246
Property, plant and equipment	9,486,555	-	7,862	9,494,417
Goodwill	1,257,153	-	-	1,257,153
Non-current assets	**46,181,626**	**123,814,516**	**7,862**	**170,004,004**
Inventories	27,000	-	-	27,000
Trade and other receivables	4,786,559	-	422,996	5,209,555
Cash and cash equivalents	162,298	10,838	324,189	497,325
Total Assets	**51,157,483**	**123,825,354**	**755,047**	**175,737,884**

24. Operating segments *(Continued)*

Reportable segments *(Continued)*

	Romania 31-Dec-10 EUR	Serbia 31-Dec-10 EUR	Other 31-Dec-10 EUR	Total 31-Dec-10 EUR
Revenues				
Total investment income/ (loss)	(2,363,827)	(2,829,897)	3,779	**(5,198,945)**
Loss on operations acquired for re-sale	-	17,144,366	-	**17,144,366**
Revenue from hotel operations	1,591,000	-	-	**1,591,000**
Commissions from receivables collection operations	3,040,539	-	-	**3,040,539**
Interest income	258,306	-	244,848	**503,154**
Dividend income	4,082	-	-	**4,082**
Other income	18,014	-	223	**18,237**
	2,548,114	**14,314,469**	**248,850**	**17,111,433**

	Romania 31-Dec-10 EUR	Serbia 31-Dec-10 EUR	Other 31-Dec-10 EUR	Total 31-Dec-10 EUR
Total assets				
Financial assets at FVTPL	52,460,463	34,159,263	479,537	87,099,263
Property, plant and equipment	11,585,888	-	2,515	11,588,403
Goodwill	1,257,153	-	-	1,257,153
Non-current assets	**65,303,504**	**34,159,263**	**482,052**	**99,944,819**
Inventories	181,000	-	-	181,000
Trade and other receivables	6,290,793	-	316,523	6,607,316
Cash and cash equivalents	435,144	11,146	366,254	812,543
Total Assets	**72,210,441**	**34,170,409**	**1,164,829**	**107,545,678**

25. Reserves

Reserve	**Description and purpose**
Share capital	Par value of a share multiplied by the number of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Retained earnings / deficit	Cumulative net gains and losses recognised in profit or loss within the Consolidated Statement of Comprehensive Income and cumulative transfers from other recognised reserves where permitted or required
Foreign exchange reserve	Reserve where cumulative gains and losses arising on retranslation of foreign operations as reflected in other comprehensive income are held until the operation is disposed of

26. Share Capital

	Authorised		Authorised	
	2011	**2011**	**2010**	**2010**
	Number	**EUR**	**Number**	**EUR**
Ordinary shares of EUR 0.01 each	300,000,000	3,000,000	300,000,000	3,000,000

	Issued and fully paid		Issued and fully paid	
	2011	**2011**	**2010**	**2010**
	Number	**EUR**	**Number**	**EUR**
Ordinary shares of EUR 0.01 each				
At beginning of the year	100,000,000	122,900,310	100,000,000	122,900,310
Other issues for cash during the year	-	-	-	-
Other redemptions for cash during the year	-	-	-	-
Share premium from issues/ redemptions	-	-	-	-
Less issuance costs	-	-	-	-
	100,000,000	122,900,310	100,000,000	122,900,310

27. Earnings per share

Earnings	**31-Dec-11**	**31-Dec-10**
Earnings for the purposes of basic & diluted earnings per share being net loss attributable to owners of the Company	(15,734,573)	6,731,309
Earnings for the purposes of basic & diluted EPS	**(15,734,573)**	**6,731,309**
Number of shares		
Weighted average number of shares for the purposes of basic & diluted EPS	100,000,000	100,000,000
From continuing operations		
Net loss attributable to equity holders of the parent	(15,734,573)	6,731,309
Adjustments to exclude loss for the period from discontinued operations	2,364,295	(17,144,366)
Earnings from continuing operations for the purpose of basic & diluted EPS excluding discontinued operations	**(13,370,278)**	**(10,413,057)**
Basic & diluted EPS	**(0.1337)**	**(0.1041)**
From discontinued operations		
Basic & diluted EPS	**(0.0236)**	**0.1714**

28. Events after the reporting period

In 2012, Glasro Holdings Limited has concluded an addendum to the loan contract with Raiffeisen Bank Romani which increased the loan facility from €2 million to €4 million. The addendum is split into two sub facilities, sub facility 1 in the amount of €1 million which is repayable on 30 October 2012 and sub facility 2 in the amount of €3 million which is repayable on 30 October 2014.