

RECONSTRUCTION CAPITAL II LIMITED
INTERIM UNAUDITED FINANCIAL STATEMENTS
For the six months ended 30 June 2019

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements
For the six months ended 30 June 2019

Page	Contents
1	Directors and Company Information
3	Adviser's Report
4	Statement of Comprehensive Income
5	Statement of Financial Position
7	Statement of Changes in Equity
8	Cash Flow Statement
9	Notes to the Interim Unaudited Financial Statements

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

DIRECTORS AND COMPANY INFORMATION

Domicile and country of incorporation

Cayman Islands

Legal form

Limited Liability Company

Company number

HL-156549

Non-executive Directors

Martin Derbyshire

Mihai Rădoi

Secretary and Registered Office

Appleby Corporate Services (Cayman) Limited

Clifton House

PO Box 1350

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Adviser

New Europe Capital SRL

21 Tudor Arghezi Str., Floor 6

020946 Bucharest Street

Romania

Nominated Adviser

Grant Thornton UK LLP

30 Finsbury Square

London, EC2P 2YU

Broker

finnCap Ltd

60 New Broad Street

London, EC2M 1JJ

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

DIRECTORS AND COMPANY INFORMATION (continued)

Administrator and Custodian

Sanne Fiduciary Services Limited
IFC 5
St Helier
Jersey
JE1 1ST

Independent Auditor

Grant Thornton (Cyprus) Ltd
41-49, Agiou Nicolaou St.
Nimeli Court
Block C
Egkomi 2408
PO Box 23907
1687 Nicosia
Cyprus

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

ADVISER'S REPORT
For the six months ended 30 June 2019

On 30 June 2019, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of €30.3m or €0.2224 per share, which represents a 0.62% fall since the beginning of the year.

During the first half of the year, RC2 acquired 4,075,463 of its Ordinary Shares of nominal value €0.01 for a total consideration of € 0.65m. The shares were subsequently cancelled bringing the total shares in issue to 136,256,913.

Policolor generated consolidated operating revenues of € 30.1m in the first half of 2019, down 9.2% year-on-year and 7.6% below budget. After a strong first quarter, Policolor's coatings sales weakened considerably in the second quarter, in part due to weak demand but also due to the difficulties in continuing to supply its full range of coatings prior to the opening of its new Bucharest factory. Over the first half of 2019, the Group generated recurring EBITDA (net of revenues and expenses allocated to the real estate division) of € 0.8m, significantly below the budgeted EBITDA of € 1.4m, mainly due to the lower coatings sales in the second quarter. Meanwhile, the construction of Policolor's new Bucharest factory and warehouse has progressed well over the quarter, with construction works having been finalized by the end of July, one month later than originally planned.

Mamaia Resort Hotel's operating revenues over the first semester were € 0.7m, up 19.7% year-on-year but 4.7% below budget. The Hotel, which is highly seasonal, makes most of its revenues over the months of July and August. The re-decoration of the Hotel's beach-facing "Junona" wing bedrooms and the renovation of the kitchen, which started at the end of 2018, were finalized just before the 1st May holiday which is also the official start of the Romanian seaside's summer season. The six-month EBITDA loss of € -0.4m was worse than the budgeted loss of € -0.2m, due to the lower than expected revenues, but also higher salary expenses and the cost of certain renovation related works which were not initially budgeted.

Following the recruitment of a new CEO as part of its strategy to re-direct its business towards B2B lending, whilst continuing with pay day lending to the extent permitted by the more restrictive prudential regulations introduced by the National Bank of Romania, Telecredit started to finance SMEs in February, having granted € 1.2m as factoring services and microloans over the first half of 2019. The lending activity was further helped by the official launch of *Omnicredit*, Telecredit's SME financing dedicated online platform at the beginning of June. The book value of Telecredit's SME-focussed portfolio was €0.7m at the end of June, considerably better than the budgeted figure of € 0.5m. Meanwhile, as expected due to the regulatory restrictions on pay day loans which came into effect at the beginning of 2019, pay day lending activity continued to fall, with the book value of the pay day loan book down from € 0.4m at the end of March to € 0.2m at the end of June. At the end of April, RC2 (Cyprus) Ltd, a wholly-owned subsidiary of RC2, acquired 20% of Telecredit for € 185,000, thereby bringing its shareholding in Telecredit to 100%. At the end of June, in order to support the expansion of Telecredit's SME loan book, RC2 (Cyprus) Ltd made available to Telecredit a € 1m financing line, none of which was drawn until after the end of June.

As at 30 June 2019, RC2 had cash and cash equivalents of approximately €0.1m while its subsidiary, RC2 (Cyprus) Ltd, had cash and cash equivalents of € 2.21m. As at 30 June 2018, RC2 had sundry liabilities of € 0.11m.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Notes	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Investment Income				
Fair value loss on financial assets at fair value through profit or loss		(2,162,241)	(2,077,374)	(7,436,971)
Recovery of previously written off receivable		-	-	9,000
Interest income		2,151,033	2,153,054	4,341,794
Other income		255	10	10
Net investment (loss)/gain		(10,953)	75,690	(3,086,167)
Expenses				
Impairment on trade and other receivables		-	(126,000)	-
Operating expenses	3	(443,456)	(534,322)	(1,031,186)
Financial expenses		-	(721)	(886)
Total expenses		(443,456)	(661,043)	(1,032,072)
Loss for the period/year		(454,409)	(585,353)	(4,118,239)
Other comprehensive income		-	-	-
Total comprehensive income for the period/year attributable to owners		(454,409)	(585,353)	(4,118,239)
Earnings Per Share attributable to the owners of the Company				
	11			
Basic and diluted earnings per share		(0.0033)	(0.0040)	(0.0285)

The notes on pages 9 to 18 form an integral part of these interim unaudited financial statements.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	6	30,293,424	33,568,867	30,614,632
Total non-current assets		30,293,424	33,568,867	30,614,632
Current assets				
Trade and other receivables	7	14,299	18,281	21,011
Cash and cash equivalents		100,964	4,567,668	1,480,305
Total current assets		115,263	4,585,949	1,501,316
TOTAL ASSETS		30,408,687	38,154,816	32,115,948
LIABILITIES				
Current liabilities				
Trade and other payables	8	109,949	2,451,315	710,726
TOTAL LIABILITIES		109,949	2,451,315	710,726
NET ASSETS		30,298,738	35,703,501	31,405,222
EQUITY ATTRIBUTABLE TO OWNERS				
Share capital		1,362,569	1,449,460	1,403,324
Share premium		109,250,778	110,581,355	109,862,098
Accumulated deficit		(80,314,609)	(76,327,314)	(79,860,200)
TOTAL EQUITY		30,298,738	35,703,501	31,405,222

The notes on pages 9 to 18 form an integral part of these interim unaudited financial statements.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2019

	Notes	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Net Asset Value per share				
Basic and diluted net asset value per share	10	0.2224	0.2463	0.2238

The notes on pages 9 to 18 form an integral part of these interim unaudited financial statements.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

	Share capital EUR	Share premium EUR	Retained (deficit)/ earnings EUR	Equity component of loan notes EUR	Total EUR
Balance at 1 January 2018	1,449,460	110,581,355	(75,741,961)	-	36,288,854
Loss for the period	-	-	(585,353)	-	(585,353)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(585,353)	-	(585,353)
Balance at 30 June 2018	1,449,460	110,581,355	(76,327,314)	-	35,703,501
Loss for the period	-	-	(3,532,886)	-	(3,532,886)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(3,532,886)	-	(3,532,886)
Repurchase and cancellation of own shares	(46,136)	(719,257)	-	-	(765,393)
Transactions with owners	(46,136)	(719,257)	-	-	(765,393)
Balance at 31 December 2018	1,403,324	109,862,098	(79,860,200)	-	31,405,222
Loss for the period	-	-	(454,409)	-	(454,409)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(454,409)	-	(454,409)
Repurchase and cancellation of own shares	(40,755)	(611,320)	-	-	(652,075)
Transactions with owners	(40,755)	(611,320)	-	-	(652,075)
Balance at 30 June 2019	1,362,569	109,250,778	(80,314,609)	-	30,298,738

The notes on pages 9 to 18 form an integral part of these interim unaudited financial statements.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

CASH FLOW STATEMENT
For the six months ended 30 June 2019

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Cash flows from operating activities			
Loss before taxation	(454,409)	(585,353)	(4,118,239)
<i>Adjustments for:</i>			
Fair value loss on financial assets at fair value through profit or loss	2,162,241	2,077,374	7,436,971
Impairment on trade and other receivables	-	126,000	-
Reversal of loan impairment	-	-	(9,000)
Interest income	(2,151,033)	(2,153,054)	(4,341,794)
Net (gain)/loss on foreign exchange	(255)	721	886
Net cash outflow before changes in working capital	(443,456)	(534,312)	(1,031,176)
Decrease/(increase) in trade and other receivables	6,712	(7,842)	115,427
Increase/(decrease) in trade and other payables	14,348	(83,686)	(180,513)
Purchase of financial assets	(133,602)	(1,224,079)	(3,433,045)
Disposals and repayments of financial assets	310,000	-	9,000
Net cash used in operating activities	(245,998)	(1,849,919)	(4,520,307)
Cash flows from financing activities			
Payments to purchase own shares	(1,000,657)	-	(416,810)
Redemptions of B shares	(132,941)	(21,455)	(21,455)
Net cash flow used in financing activities	(1,133,598)	(21,455)	(438,265)
Net decrease in cash and cash equivalents before currency adjustment	(1,379,596)	(1,871,374)	(4,958,572)
Effects of exchange rate differences on cash and cash equivalents	255	(721)	(886)
Net decrease in cash and cash equivalents after currency adjustment	(1,379,341)	(1,872,095)	(4,959,458)
Cash and cash equivalents at the beginning of the period/year	1,480,305	6,439,763	6,439,763
Cash and cash equivalents at the end of the period/year	100,964	4,567,668	1,480,305

The notes on pages 9 to 18 form an integral part of these interim unaudited financial statements.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS
For the six months ended 30 June 2019

1. Establishment

Reconstruction Capital II Limited (the "**Company**") was incorporated on 17 October 2005 in the Cayman Islands as a tax exempt 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 admitted to trading on the Alternative Investment Market ("**AIM**") of the London Stock Exchange on 23 December 2005 and started trading on 27 January 2006. These financial statements show the results of the Company for the period from 1 January 2019 to 30 June 2019.

Following a general shareholder meeting on 21 February 2018, the investment objective of the Company was changed so that it now aims to achieve capital appreciation and/or to generate investment income returns through the acquisition of real estate assets in Romania, including the development of such assets, and/or the acquisition of significant or controlling stakes in companies established in, or operating predominantly in Romania, primarily in the real estate sector. Any new private equity investments in companies operating in sectors other than real estate would be limited to 25% of the Company's total assets at the time of effecting the investment. However, the Company may continue to make follow-on investments in existing portfolio companies without any such limitation.

Following the annual general meeting of the Company on 22 December 2016, the life of the Company was extended for two years until the end of 2018. At the general shareholder meeting on 21 February 2018, it was decided that the life of the Company would be further extended until the end of 2023 when the next continuation vote would be held.

2. Principal accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), adopted for use in the European Union in accordance with Art. 3 of the IAS Regulation (EC) No. 1606/2002. The 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 and under the going concern basis.

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

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

2. Principal accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in accordance 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 financial information for the six months ended 30 June 2019 and the six months ended 30 June 2018 is unaudited and does not constitute the Company's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2018 has, however, been derived from the audited statutory financial statements for that period.

The half-yearly report has been prepared in accordance with the recognition and measurement principles of IFRS, as issued by the International Accounting Standards Board ("**IASB**"), using accounting policies that are expected to be applied during the financial year ended 31 December 2019.

The Company has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing these interim consolidated financial statements.

3. Operating expenses

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Advisory fees	345,447	404,196	779,458
Legal and professional fees, including transaction fees	38,221	41,624	78,284
Administration and custodian fees	28,026	37,172	71,521
Directors' fees	15,000	27,527	55,027
Audit fees	11,500	11,388	24,545
Insurance premium	3,205	3,912	7,825
Bank charges	2,057	1,903	4,810
Other expenses	-	6,600	9,716
	443,456	534,322	1,031,186
	443,456	534,322	1,031,186

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

4. Subsidiaries

The following are subsidiaries of the Company and they are all exempt from consolidation under the requirements of IFRS 10 on consolidation for investment entities:

	Principal activity	Country of incorporation	Proportion of ownership interest		
			30 June 2019	30 June 2018	31 December 2018
Holding company:					
Reconstruction Capital II Limited					
RC2 (Cyprus) Limited	Investment holding	Cyprus	100%	100%	100%
Glasro Holdings Limited	Consumer loans	Cyprus	100%	100%	100%
Holding company:					
RC2 (Cyprus) Limited					
Mamaia Resort Hotels S.R.L.	Hotel management	Romania	63%	63%	63%
Holding company:					
Glasro Holdings Limited					
Telecredit IFN S.A.	Consumer loans	Romania	100%	80%	80%

5. Associates

The Company has the following associates:

	Principal activity	Country of incorporation	Proportion of ownership interest		
			30 June 2019	30 June 2018	31 December 2018
Holding company:					
Reconstruction Capital II Limited					
Reconstruction Capital Plc	Investment holding	Isle of Man	23%	22%	23%
The Romanian Investment Fund Limited	Investment holding	Cayman	27%*	26%	27%

* The Company's proportion of ownership interest in The Romanian Investment Fund Limited comprises direct and indirect holdings of 11.3% and 16.11%, respectively, as at 30 June 2019 (30 June 2018: 10.24% and 16.11%, respectively).

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

5. Associates (continued)

	Principal activity	Country of incorporation	Proportion of ownership interest		
			30 June 2019	30 June 2018	31 December 2018
Holding company:					
RC2 (Cyprus) Limited					
S.C. Policolor S.A.	Paint and varnish manufacture	Romania	40%	40%	40%

6. Financial assets at fair value through profit or loss

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Non-current investments			
Investment in subsidiaries	1,149,797	3,033,023	1,149,797
Investment in associates	4,389,829	3,350,025	4,389,829
Loan receivable	24,753,798	27,185,819	25,075,006
	30,293,424	33,568,867	30,614,632

6.1 Investment in subsidiaries

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Cost	76,653,660	76,653,660	76,653,660
Net unrealised loss on investments	(75,503,863)	(73,620,637)	(75,503,863)
Fair value of non-current investments	1,149,797	3,033,023	1,149,797

Included in investments in subsidiaries is an equity investment in RC2 (Cyprus) Limited, a wholly-owned subsidiary of the Company, with a fair value of EUR nil at the period end (30 June 2018: EUR nil).

Also included is an equity investment in the wholly owned subsidiary Glasro Holdings Ltd which was valued at EUR 1,149,797 at 30 June 2019 (30 June 2018: EUR 3,033,023).

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

6. Financial assets at fair value through profit or loss (continued)

6.2 Investment in associates

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Cost	3,566,648	3,350,025	3,566,648
Net unrealised gain on investments	823,181	-	823,181
Fair value of non-current investments	4,389,829	3,350,025	4,389,829

Included in the investments in associates are investments in Reconstruction Capital Plc and The Romanian Investment Fund Limited with fair values of EUR 2,242,600 and EUR 2,147,229, respectively, at period end (30 June 2018: EUR 1,643,606 and EUR 1,706,419, respectively).

6.3 Loan receivable at fair value through profit or loss

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Loan to unconsolidated subsidiary	24,753,798	27,185,819	25,075,006
Amounts due for settlement within 12 months	-	-	-
Amounts due for settlement after more than 12 months	24,753,798	27,185,819	25,075,006

Included in the balance of loan to unconsolidated subsidiary is a loan to RC2 (Cyprus) Limited, which bears interest of 8% per annum on the outstanding principal. The loan was repayable on demand, however on 19 April 2018, and effective from 31 December 2017, the Company signed an addendum to the loan agreement with RC2 (Cyprus) Ltd, whereby the Company will not impose the repayment of the outstanding amount or part of the outstanding amount until 31 December 2023. The Company has also committed to provide financial support to RC2 (Cyprus) Limited.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

6. Financial assets at fair value through profit or loss (continued)

6.3 Loan receivable at fair value through profit or loss (continued)

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Changes in loan receivable			
Opening balance	25,075,006	27,110,139	27,110,139
Loan repayments	(310,000)	-	-
Interest income	2,151,033	2,153,054	4,341,794
Fair value loss on loan receivable	(2,162,241)	(2,077,374)	(6,376,927)
	<u>24,753,798</u>	<u>27,185,819</u>	<u>25,075,006</u>

The valuation of the loan is based on the adjusted net asset value of RC2 (Cyprus) Limited which is available to repay the loan principal and interest payable to the Company. The value of the loan receivable decreased by EUR 321,208 during the period. The decrease is a result of the accrued interest income of EUR 2,151,033 being offset by the fair value loss on the receivable and loan repayments of EUR 2,162,241 and EUR 310,000, respectively.

7. Trade and other receivables

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Trade and other receivables	-	1,398	-
Prepayments	14,299	16,883	21,011
	<u>14,299</u>	<u>18,281</u>	<u>21,011</u>

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

8. Trade and other payables

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Advisory fees	66,876	135,489	53,229
Directors' fees and expenses	5,000	12,500	-
Auditor's fees	21,500	22,843	23,000
Administration fees	14,427	17,774	14,850
Amount payable in respect of share cancellations (i)	-	-	348,583
Amounts payable in respect of share redemptions (ii)	-	132,941	132,941
Amount payable for investments (iii)	-	2,125,945	133,602
Other payables and accruals	2,146	3,823	4,521
	109,949	2,451,315	710,726
	109,949	2,451,315	710,726

- (i) The amount payable in respect of share cancellations of EUR nil (30 June 2018: EUR nil, 31 December 2018: EUR 348,583) relates to the purchase for cancellation on 21 December 2018 of 1,790,000 Ordinary Shares of the Company of EUR 0.01 each. The outstanding amount was settled on 8 January 2019.
- (ii) The amount payable in respect of share redemptions of EUR nil (30 June 2018: EUR 132,941, 31 December 2018: EUR 132,941) relates to B shares of the Company redeemed in 2017. The outstanding amount was settled on 11 April 2019.
- (iii) The amount payable for investments of EUR 2,125,945 as at 30 June 2018 relates to the balance due to vendors for 22% of the issued share capital of Reconstruction Capital Plc and 10% of the issued share capital of The Romanian Investment Fund Limited. The amount payable for investments of EUR 133,602 as at 31 December 2018 relates to the purchase of 600 shares in the The Romanian Investment Fund Limited on 19 December 2018 and subsequently settled on 9 January 2019.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

9. Transaction with owners

The Company entered into the following transactions for the purchase of its Ordinary Shares of EUR 0.01 each:

- (i) On 12 July 2018, the Company purchased for cancellation 304,744 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.1675 per share.
- (ii) On 18 July 2018, the Company purchased for cancellation 340,241 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.1675 per share.
- (iii) On 16 November 2018, the Company purchased for cancellation 1,790,000 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.1725 per share.
- (iv) On 21 December 2018, the Company purchased for cancellation 2,178,641 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.16 per share.
- (v) On 21 January 2019, the Company purchased for cancellation 1,710,611 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.16 per share.
- (vi) On 23 January 2019, the Company purchased for cancellation 2,364,852 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.16 per share.

10. Net Asset Value

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Net assets	30,298,738	35,703,501	31,405,222
Closing number of shares	136,256,913	144,946,017	140,332,376
Basic and diluted net asset value per share	0.2224	0.2463	0.2238

There are no potentially dilutive instruments.

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

11. Earnings per share

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Earnings			
Earnings for the purposes of basic earnings per share, being net profit attributable to ordinary shareholders of the Company	(454,409)	(585,353)	(4,118,239)
Number of shares			
Weighted average number of shares for the purposes of earnings per share	136,936,157	144,946,017	144,528,092
Basic and diluted earnings per share	(0.0033)	(0.0040)	(0.0285)

There are no potentially dilutive instruments.

12. 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.

12.1 Key management compensation

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Advisory fees	345,447	404,196	779,458
Directors' fees	15,000	27,527	55,027
	360,447	431,723	834,485

a. Advisory fees (note 3)

New Europe Capital SRL is the Adviser to the Company during the period. The advisory fees are accrued and are payable monthly in arrears. Total advisory fees for the period amounted to EUR345,447 (30 June 2018: EUR404,196). Total fees outstanding as at 30 June 2019 were EUR66,876 (30 June 2018: EUR135,489).

Advisory fees which are unpaid for over a month attract an interest of 10% (30 June 2018: 10%) on the entire balance. No interest has been charged during the period to 30 June 2019 (30 June 2018: EUR nil).

RECONSTRUCTION CAPITAL II LIMITED
Interim Unaudited Financial Statements

NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2019

12. Related party transactions (continued)

12.1 Key management compensation (continued)

b. Directors' fees (note 3)

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Martin Derbyshire	5,000	5,027	10,027
Dirk Van den Broeck (resigned on 18 December 2018)	-	12,500	25,000
Mihai Rădoi	10,000	10,000	20,000
	<u>15,000</u>	<u>27,527</u>	<u>55,027</u>

12.2 Trade and other payables to key management (note 8)

	30 June 2019 EUR Unaudited	30 June 2018 EUR Unaudited	31 December 2018 EUR Audited
Advisory fees	66,876	135,489	53,229
Directors' fees and expenses	5,000	12,500	-
	<u>71,876</u>	<u>147,989</u>	<u>53,229</u>

12.3 Loan to unconsolidated subsidiary

The details of the loan to RC2 (Cyprus) Limited are disclosed in note 6.

13. Events after the reporting period

There have been no material events after the reporting date.