

**RECONSTRUCTION CAPITAL II LIMITED**

**INTERIM UNAUDITED FINANCIAL STATEMENTS**

**For the period 1 January 2008 to 30 June 2008**

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### Contents

#### Page:

3	Directors and Company information
4	Investment Manager and Investment Advisers Report
6	Independent Review Report
7	Consolidated Income Statement
8	Consolidated Balance Sheet
9	Consolidated Statement of Changes in Equity
10	Consolidated Cash Flow Statement
11	Notes to the Interim Unaudited Financial Statements

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

**Domicile and country of incorporation of parent company**

Cayman Islands

**Company number**

HL-156549

**Legal form**

Limited Liability Company

**Directors**

Howard I. Golden  
Ion Alexander Florescu  
Franklin Pitcher Johnson Jr.  
Markus Winkler  
Dirk Van den Broeck

**Secretary and registered office**

Appleby Spurling Hunter  
Clifton House , 75 Fort Street, PO Box 190 GT

**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  
Svetozara Markovica 11, 11000 Beograd

**Nominated Adviser**

Grant Thornton UK LLP  
30 Finsbury Square, London, EC2P 2YU

**Broker**

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

**Administrator**

Euro-VL (Ireland) Limited  
3<sup>rd</sup> Floor, IFSC House, IFSC  
Dublin-1, Ireland

**Custodian**

Societe Generale  
3<sup>rd</sup> Floor, IFSC House, IFSC  
Dublin-1, Ireland

**Independent Auditors**

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

**Website**

[www.reconstructioncapital2.com](http://www.reconstructioncapital2.com)

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### INVESTMENT MANAGER AND ADVISER REPORT

On 30 June 2008, Reconstruction Capital II Limited (“RC2” or the “Group”) had a total unaudited net asset value (“NAV”) of EUR 138.9m after deducting minority interest, or EUR 1.2326 per share, which represents a 14.7% decrease since the beginning of the year. The published net asset value per share was EUR 1.2361, the difference between the published and the interim mainly resulting from the effects of the consolidation of Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL).

The fall in the NAV was primarily due to the sharp fall in equities across the world, which adversely affected the equity markets in which RC2 operates, with the Romanian BET-EUR index and the Bulgarian SOFIX indices falling 36.8% and 34.6%, respectively. 70.4% of RC2’s investments in the Private Equity Programme are in quoted companies and are booked to market (Policolor, Albalact and Orgachim) while RC2’s total exposure to quoted equities amounted to 48.7% of total NAV as at 30 June 2008.

During the period and in light of the uncertain international environment and falling equity valuations, RC2 kept high levels of cash which, excluding cash owed for the settlement of trades performed at month end and cash of subsidiaries amounted to EUR 51.4m (or 34.3% of NAV) as at 30 June. The rest of RC2’s net assets consisted of investments in the Private Equity Programme (44.2%), as well as listed equities (17.7%) and fixed-income securities (3.8%) held under the Trading Programme.

During the period under review, most new investments were made under the Private Equity Programme, with limited additions to the Trading Programme. The Group exploited the lower valuations of the public equity markets to increase its shareholdings in Policolor and Albalact, both quoted companies where RC2 has significant positions under its Private Equity Programme.

Under its Private Equity Programme, the Company effected one disposal and four investments in the period under review:

- In March, RC2 acquired a 63% shareholding in Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL), the owner of a 305-room beachside hotel at Mamaia, Romania’s prime seaside resort, for a consideration of EUR 8m. RC2 appointed a new management team and renamed the hotel *Golden Tulip Mamaia* as part of a franchise agreement with Golden Tulip Hotels.
- In March, RC2 committed a further EUR 1m to its investment in healthcare provider Romar Holding Limited, increasing its stake from 33% to 40%.
- In April, RC2 made a successful exit from its Bucharest real estate investment realizing a gain of EUR 2m (or 1.6x cost) less than six months after its acquisition. The asset had been revalued in 2007, therefore the impact on the NAV in 2008 was not substantial.
- Over the first two quarters of 2008, RC2 took advantage of Albalact’s lower share price by acquiring a further 7.5%, thus lifting its shareholding to 17.3%.
- In June, RC2 acquired an additional 27% shareholding in Romanian paints producer Policolor for EUR 22.5m. Combined with its 8.6% stake prior to the transaction and further market purchases during the second quarter, RC2 owned 37.6% of Policolor as at the 30 June. RC2’s strategy for Policolor is to work closely with the Romanian Investment Fund Ltd, another fund which owns 6%, in order to buy out the remaining shareholders, delist the company, reorganize the Policolor group by separating excess real estate, chemicals and coatings, and prepare it for exit.

The Investment Manager invested a total of EUR 3.9m under the Trading Programme in the first half of 2008. The portfolio was divided amongst companies operating in the following sectors: financial services (50.0%), building materials (18.5%), other (12.7%), industrials (9.2%), oil & gas (3.9%), engineering (3.3%) and utilities (2.4%).

## **RECONSTRUCTION CAPITAL II LIMITED**

### **Interim Unaudited Financial Statements for the six months ended 30 June 2008**

The Investment Manager and Advisers believe that there is little connection between the underlying economic and political fundamentals of the region and the performance of the local stock markets. The sub-prime crisis, which originated in the US, has had a devastating effect on US (and many Western European) financial institutions and brought the US and a number of leading European economies close to recession. Meanwhile, Romanian GDP grew at an annual rate of 8.8% over the first half of 2008, and FDI inflows were up 63.4% year-on-year, reaching EUR 4.8bn, which covered 61% of the current account deficit, compared to 38% one year ago. In spite of this, it is the Romanian market which fell by 36.8% in euro terms, whilst the S&P500 and FTSE100 fell by a much more modest 19%, also in euro terms.

In March, the investment advisory team opened an office in Belgrade in order to source investment opportunities in Serbia. After years of economic and political isolation, this country with its diversified economy, skilled labour force and improved macroeconomic situation to a certain extent resembles its eastern neighbours, Romania and Bulgaria but has even more catching up to do. The pro-European government coalition which was elected in May has already made substantial progress in bringing Serbia closer to the EU, with the handover of Radovan Karadzic to the International Criminal Tribunal for the former Yugoslavia in July and the ratification of the EU Stabilization and Association Agreement on September 4th.

**New Europe Capital Limited**

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### INDEPENDENT REVIEW REPORT TO RECONSTRUCTION CAPITAL II LIMITED

#### Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended **30 June 2008** which comprises **the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related notes.**

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

#### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

#### Our responsibility

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

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### Scope of review

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

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended **30 June 2008** is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

*BDO Stoy Hayward LLP*  
*Chartered Accountants and Registered Auditors*  
*London*  
*Date*

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30-Jun-08 EUR Unaudited	Six months ended 30-Jun-07 EUR Unaudited	Year ended 31-Dec-07 EUR Audited
	Notes			
<b>Investment income</b>				
(Loss) / Gain on investments at fair value through profit or loss	4	(26,402,661)	27,376,303	23,983,989
Interest income		1,621,871	1,045,858	1,842,780
Dividend income		492,147	260,212	331,187
Other income		4,116,399	127,138	869,957
<b>Total investment income</b>		<b>(20,172,244)</b>	<b>28,809,511</b>	<b>27,027,913</b>
<b>Revaluation Surplus</b>		-	-	3,639,779
<b>Expenses</b>				
Operating expenses	5	3,102,808	4,779,448	6,174,519
<b>Total operating expenses</b>		<b>3,102,808</b>	<b>4,779,448</b>	<b>6,174,519</b>
<b>(Loss) / Profit before taxation</b>		<b>(23,275,052)</b>	<b>24,030,063</b>	<b>24,493,173</b>
Income tax expense		138,789	177,969	1,116,617
<b>Net (loss) / profit for the period</b>		<b>(23,413,841)</b>	<b>23,852,094</b>	<b>23,376,556</b>
<b>Attributable to:</b>				
- Equity holders of the parent		(23,707,730)	23,609,302	21,458,657
- Minority interest		293,889	242,792	1,917,899
		<b>(23,413,841)</b>	<b>23,852,094</b>	<b>23,376,556</b>
Basic and diluted earnings per share	10	(0.2104)	0.3630	0.3363

*The notes on pages 11 to 15 form an integral part of these unaudited interim financial statements*

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2008

		30-Jun-08	30-Jun-07	31-Dec-07
		EUR	EUR	EUR
<b>Assets</b>	<b>Notes</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Non-current assets</b>				
Property, plant and equipment		18,454,484	53,024	59,269
Investment property			-	7,279,779
Financial assets at fair value through profit or loss	6	35,410,192	3,000,000	3,100,000
Goodwill	7	1,257,153	1,257,153	1,257,153
<b>Total non-current assets</b>		<b>55,121,829</b>	<b>4,310,177</b>	<b>11,696,201</b>
<b>Current assets</b>				
Financial assets at fair value through the profit or loss account	6	42,121,496	55,428,643	67,634,822
Other financial assets		1,082,314	-	1,425,395
Trade and other receivables		1,441,047	1,119,073	1,261,298
Inventories		124,000	-	-
Cash and cash equivalents		75,219,473	38,121,456	89,328,540
<b>Total current assets</b>		<b>119,988,330</b>	<b>94,669,172</b>	<b>159,650,055</b>
<b>Total assets</b>		<b>175,110,159</b>	<b>98,979,349</b>	<b>171,346,256</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	8	28,582,468	4,593,814	6,455,209
<b>Total liabilities</b>		<b>28,582,468</b>	<b>4,593,814</b>	<b>6,455,209</b>
<b>Total net assets</b>		<b>146,527,691</b>	<b>94,385,535</b>	<b>164,891,047</b>
<b>Capital and reserves attributable to equity holders of the parent</b>				
Share capital		1,126,811	650,394	1,126,811
Share premium reserve		134,263,071	63,280,208	134,263,071
Retained earnings		3,857,495	29,715,870	27,565,225
Translation reserve		(360,431)	-	(145,955)
<b>Total capital and reserves attributable to equity holders of the parent</b>		<b>138,886,946</b>	<b>93,646,472</b>	<b>162,809,152</b>
Minority Interest		7,640,745	739,063	2,081,895
<b>Total equity</b>		<b>146,527,691</b>	<b>94,385,535</b>	<b>164,891,047</b>

*The notes on pages 11 to 15 form an integral part of these unaudited interim financial statements*

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 30 JUNE 2008

	Share Capital EUR	Share Premium EUR	Retained Earnings EUR	Translation Reserve EUR	Attributable to equity holders of the parent EUR	Minority Interest EUR	Total EUR
<b>Balance at 31 December 2006</b>	650,394	63,280,208	6,106,568	-	70,037,170	521,384	70,558,554
Profit for the period	-	-	23,609,302	-	23,609,302	242,792	23,852,094
Issue of Share Capital	-	-	-	-	-	-	-
Minority interest arising on acquisition	-	-	-	-	-	145,213	145,213
Reserves	-	-	-	-	-	-	-
Dividends payable to minorities	-	-	-	-	-	(170,326)	(170,326)
<b>Balance at 30 June 2007</b>	<b>650,394</b>	<b>63,280,208</b>	<b>29,715,870</b>	<b>-</b>	<b>93,646,472</b>	<b>739,063</b>	<b>94,385,535</b>
Loss for the period	-	-	(2,150,645)	-	(2,150,645)	1,675,107	(475,538)
Issue of Share Capital	476,417	70,982,863	-	-	71,459,280	-	71,459,280
Minority interest arising on acquisition	-	-	-	-	-	-	-
Reserves	-	-	-	(145,955)	(145,955)	(164,824)	(310,779)
Dividends payable to minorities	-	-	-	-	-	(167,451)	(167,451)
<b>Balance at 31 Dec 2007</b>	<b>1,126,811</b>	<b>134,263,071</b>	<b>27,565,225</b>	<b>(145,955)</b>	<b>162,809,152</b>	<b>2,081,895</b>	<b>164,891,047</b>
Loss for the period	-	-	(23,707,730)	-	(23,707,730)	293,889	(23,413,841)
Issue of Share Capital	-	-	-	-	-	-	-
Minority interest arising on acquisition	-	-	-	-	-	6,581,261	6,581,261
Reserves	-	-	-	(214,476)	(214,476)	164,827	(49,649)
Dividends payable to minorities	-	-	-	-	-	(1,481,127)	(1,481,127)
<b>Balance at 30 June 08</b>	<b>1,126,811</b>	<b>134,263,071</b>	<b>3,857,495</b>	<b>(360,431)</b>	<b>138,886,946</b>	<b>7,640,745</b>	<b>146,527,691</b>

The share premium is stated net of share issue costs.

## RECONSTRUCTION CAPITAL II LIMITED

### Interim Unaudited Financial Statements for the six months ended 30 June 2008

#### CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ende d 30-Jun-08 Unaudite d EUR	Six months ende d 30-Jun-07 Unaudite d EUR	Year ende d 31-Dec-07 Audite d EUR
<b>Cash flows from operating activities</b>			
Net Profit / (loss) before tax	(23,275,052)	24,030,063	24,493,174
Adjustments for:			
Depreciation	877,085	1,542	8,141
Loss / (Gain) on financial assets at fair value through profit or loss	29,278,620	(21,441,033)	(23,983,989)
Revaluation surplus	-	-	(3,639,779)
Negative Goodwill	(3,210,739)	-	-
Profit on sale of fixed asset	(1,289,720)	-	-
Gain on foreign exchange	(1,009,065)	(1,111,256)	(707,073)
Interest income	(1,621,871)	(1,323,755)	(1,865,763)
Dividend income	(492,147)	(263,002)	(331,187)
<b>Net cash outflow before changes in working capital</b>	<b>(742,889)</b>	<b>(107,441)</b>	<b>(6,026,476)</b>
Increase/ (decrease) in trade and other receivables	(38,019)	1,329,975	788,515
Increase (decrease) in trade and other payables	15,643,439	3,670,459	4,642,995
Increase (decrease) in inventories	(124,000)	-	-
Interest received	1,651,720	1,323,755	2,067,107
Dividend received	486,568	263,002	373,681
Payments for purchase of financial assets	(34,514,380)	(18,456,640)	(42,343,817)
Proceeds from sale of financial assets	2,185,240	13,737,844	23,503,476
<b>Net cash used in operating activities</b>	<b>(15,452,321)</b>	<b>1,760,954</b>	<b>(16,994,519)</b>
Income tax paid	-	-	(205,176)
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment assets	6,785,435	-	-
Purchase of property, plant and equipment	(357,309)	(24,791)	(37,632)
Purchase of financial assets	(1,000,000)	(3,000,000)	(3,000,000)
Acquisition of subsidiary (net of cash acquired)	(2,276,000)	(2,960,458)	(2,960,458)
	<b>3,152,126</b>	<b>(5,985,249)</b>	<b>(5,998,090)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued	-	-	71,459,280
Proceeds from loan	10,032	-	-
Dividends paid to minority interest	(1,818,904)	(170,327)	(337,777)
	<b>(1,808,872)</b>	<b>(170,327)</b>	<b>71,121,503</b>
<b>Gain on foreign exchange</b>	<b>-</b>	<b>1,111,256</b>	<b>-</b>
<b>Increase in cash and cash equivalents</b>	<b>(14,109,067)</b>	<b>(3,283,366)</b>	<b>47,923,718</b>
<b>Cash at start of period</b>	<b>89,328,540</b>	<b>41,404,822</b>	<b>41,404,822</b>
<b>Cash at end of period</b>	<b>75,219,473</b>	<b>38,121,456</b>	<b>89,328,540</b>

# RECONSTRUCTION CAPITAL II LIMITED

## Interim Unaudited Financial Statements for the six months ended 30 June 2008

### NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS

#### 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 and Bulgaria. 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 period 1 January 2008 to 30 June 2008.

The Company intends 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, established and/or operating primarily in Romania and Bulgaria (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian and Bulgarian entities (the Trading Programme).

The main focus of the Company is investments in Romania, Bulgaria and Serbia. However, the Company reserves the right to make investments into neighbouring countries, notably Ukraine, Montenegro, Moldova, Croatia, Albania and the Former Yugoslav Republic of Macedonia. It is currently anticipated that in the medium term the Company will invest approximately 70 per cent of its assets in Romania and approximately 30 per cent of its assets in Bulgaria, Serbia and neighbouring countries.

#### 2. Basis of Preparation

This interim report was approved by the directors on 26 September 2008. The condensed interim financial information has been prepared on the basis of the accounting policies set out in the 2007 Annual Report and Financial Statements using accounting policies consistent with International Financial Reporting Standards. As permitted, the unaudited interim financial statements have not been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim financial information for the six months ended 30 June 2008 and 30 June 2007 has not been audited. The financial information contained in this interim report does not constitute statutory accounts. The comparatives for the period from 1 January 2007 to 31 December 2007 are not the Company's full statutory accounts for that period. The auditors' report on those accounts was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports.

#### 3. Acquisitions

On 3 March 2008 Reconstruction Capital II (Cyprus) Ltd, a 100% subsidiary of Reconstruction Capital II Ltd, acquired 63.01% of Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL), a company incorporated in Romania, which is the owner and operator of the 305-room Fantasy Beach Hotel located in Mamaia, Romania's premium holiday resort on the Black Sea.

On 26 June 2008 Reconstruction Capital II (Cyprus) Ltd, a 100% subsidiary of Reconstruction Capital II Ltd, invested EUR 22.5 million in Policolor, a company incorporated in Romania. This brings Reconstruction Capital II (Cyprus) Ltd's shareholding in the company to 37.6% and therefore Policolor is classified as an associate for the purpose of these financial statements.

## RECONSTRUCTION CAPITAL II LIMITED

### Interim Unaudited Financial Statements for the six months ended 30 June 2008

#### 4. Gain on investments at fair value through profit or loss

	<b>30-Jun-08</b>	<b>30-Jun-07</b>	<b>31-Dec-07</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Unrealised (loss)/ gain on investments	-29,278,620	21,441,033	10,690,520
Gain on foreign exchange	2,688,816	1,754,242	707,003
Other realised investment income	187,143	4,181,028	12,586,466
	<u><b>-26,402,661</b></u>	<u><b>27,376,303</b></u>	<u><b>23,983,989</b></u>

#### 5. Operating Expenses

	<b>30-Jun-08</b>	<b>30-Jun-07</b>	<b>31-Dec-07</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Investment Management /Advisory fees	1,094,073	760,862	1,095,612
Performance fee accrual		3,648,019	2,191,892
Administration fees	76,029	49,575	111,364
Custodian fees	140,842	56,608	167,575
Audit fees	36,000	19,726	111,190
Directors' fees	95,491	61,643	125,000
Depreciation	877,085	1,542	1,772
Other fees	783,288	181,473	2,370,114
	<u><b>3,102,808</b></u>	<u><b>4,779,448</b></u>	<u><b>6,174,519</b></u>

#### 6. Investments at fair value through profit or loss

	<b>30-Jun-08</b>	<b>30-Jun-07</b>	<b>31-Dec-07</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Non-current investments</b>			
Cost of listed investments	30,910,722	-	-
Cost of unlisted investments	4,000,000	3,000,000	3,000,000
Unrealised gain on listed and unlisted investments	499,470	-	100,000
<b>Total non-current investments at fair value through profit or loss</b>	<u><b>35,410,192</b></u>	<u><b>3,000,000</b></u>	<u><b>3,100,000</b></u>

## RECONSTRUCTION CAPITAL II LIMITED

### Interim Unaudited Financial Statements for the six months ended 30 June 2008

#### 6. Investments at fair value through profit or loss (continued)

Current investments	30-Jun-08	30-Jun-07	31-Dec-07
	Unaudited	Unaudited	Audited
	EUR	EUR	EUR
Listed equity securities	36,844,062	48,883,671	62,147,903
Listed debt securities	5,277,434	6,544,972	5,486,919
<b>Total current investments at fair value through profit or loss</b>	<b>42,121,496</b>	<b>55,428,643</b>	<b>67,634,822</b>
Cost	50,369,788	27,205,050	51,402,337
Unrealised gain on investments	(8,248,292)	28,223,593	16,232,485
<b>Total current investments at fair value through profit or loss</b>	<b>42,121,496</b>	<b>55,428,643</b>	<b>67,634,822</b>

#### 7. Acquisitions during the period / Goodwill

In March 2008 the Group acquired a 63.01% shareholding in Antares Hotel SRL for a total consideration of EUR 8,000,000. Antares Hotels SRL (now renamed Mamaia Resort Hotels SRL) is the owner and operator of the 305-room Fantasy Beach Hotel located in Mamaia, Romania's premier holiday resort on the Black Sea.

The provisional fair values at acquisition were as follows:

Provisional fair values at acquisition	EUR
Property, plant and equipment	18,237,000
Inventories	52,000
Trade and other receivables	114,000
Cash and cash equivalents	5,724,000
Financial liabilities and payables	(6,335,000)
	<b>17,792,000</b>
Group share 63.01%	11,210,739
<b>Consideration paid</b>	
Cash	8,000,000
<b>Discount on acquisition</b>	<b>(3,210,739)</b>
Goodwill Top Factoring	1,257,153
<b>Total Goodwill</b>	<b>1,257,153</b>

The acquisition of Top Factoring SRL took place on 24 May 2007.

## RECONSTRUCTION CAPITAL II LIMITED

### Interim Unaudited Financial Statements for the six months ended 30 June 2008

#### 8. Trade and other payables

	<b>30-Jun-08</b> <b>Unaudited</b> <b>EUR</b>	<b>30-Jun-07</b> <b>Unaudited</b> <b>EUR</b>	<b>31-Dec-07</b> <b>Audited</b> <b>EUR</b>
Trade payables	428,151	22,380	1,950,380
Money owed on share purchases	22,538,010	-	-
UK Corporation tax	918,142	122,005	858,596
Cyprus Corporation tax	110,297	149,596	110,297
Romanian Corporation tax	19,413	32,445	-
Other payables and accruals	4,568,455	4,267,388	3,535,936
	<u><b>28,582,468</b></u>	<u><b>4,593,814</b></u>	<u><b>6,455,209</b></u>

#### 9. Net Asset Value

	<b>30-Jun-08</b> <b>Unaudited</b> <b>EUR</b>	<b>30-Jun-07</b> <b>Unaudited</b> <b>EUR</b>	<b>31-Dec-07</b> <b>Audited</b> <b>EUR</b>
Net Assets (excluding minority interest)	138,886,946	93,646,472	162,809,152
Number of shares at balance sheet dates	112,681,054	65,039,425	112,681,054
<b>Net Asset Value per share</b>	<u><b>1.2326</b></u>	<u><b>1.4398</b></u>	<u><b>1.4449</b></u>

#### 10. Earnings Per Share

	<b>30-Jun-08</b> <b>Unaudited</b> <b>EUR</b>	<b>30-Jun-07</b> <b>Unaudited</b> <b>EUR</b>	<b>31-Dec-07</b> <b>Audited</b> <b>EUR</b>
<i>Numerator</i>			
(Loss)/ profit for the period	<u>(23,707,730)</u>	<u>23,609,302</u>	<u>21,458,657</u>
Earnings used in EPS	<u>(23,707,730)</u>	<u>23,609,302</u>	<u>21,458,657</u>
<i>Denominator</i>			
Weighted average number of shares used in basic and diluted EPS	<u>112,681,054</u>	<u>65,039,425</u>	<u>63,800,044</u>
<b>EPS</b>	<u><b>(0.2104)</b></u>	<u><b>0.3630</b></u>	<u><b>0.3363</b></u>

## RECONSTRUCTION CAPITAL II LIMITED

### Interim Unaudited Financial Statements for the six months ended 30 June 2008

#### 11. 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 the controlling shareholder of New Europe Capital SRL and New Europe Capital DOO, which were the Investment Manager and Investment Advisers to the Company. Total management and advisory fees for the period amounted to EUR 1,645,946. Total fees outstanding as at 30 June 2008 were EUR 609,909.

<b>Investment Management and Advisory fees</b>	<b>30-Jun-08 Unaudited EUR</b>	<b>30-Jun-07 Unaudited EUR</b>	<b>31-Dec-07 Audited EUR</b>
New Europe Capital Ltd *	551,873	760,862	1,095,611
New Europe Capital SRL	777,790	760,862	1,095,612
New Europe Capital DOO	316,283	-	-
	<u>1,645,946</u>	<u>1,521,724</u>	<u>2,191,223</u>

<b>Performance fees</b>	<b>30-Jun-08 Unaudited EUR</b>	<b>30-Jun-07 Unaudited EUR</b>	<b>31-Dec-07 Audited EUR</b>
New Europe Capital Ltd *	-	1,824,010	2,191,891
New Europe Capital SRL	-	1,824,010	2,191,892
New Europe Capital DOO	-	-	-
	<u>-</u>	<u>3,648,020</u>	<u>4,383,783</u>

The payment date for the performance fee is 31 December each year and as such the amounts are outstanding at those dates.

<b>Outstanding Amounts</b>	<b>30-Jun-08 Unaudited EUR</b>	<b>30-Jun-07 Unaudited EUR</b>	<b>31-Dec-07 Audited EUR</b>
New Europe Capital Ltd *	241,280	172,213	244,329
New Europe Capital SRL	243,472	172,213	244,329
New Europe Capital DOO	125,157	-	-
	<u>609,909</u>	<u>344,426</u>	<u>488,658</u>

\* New Europe Capital Limited is part of the Group and so these amounts are eliminated on consolidation.