RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For year ended 31 December 2010

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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.
Markus Winkler
Dirk Van den Broeck

Secretary and registered office
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Nominated Adviser
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DIRECTORS AND COMPANY INFORMATION *(continued)*

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13 Castle Street
St Helier
Jersey
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Company number
HL-156549

Independent Auditors
BDO LLP
55 Baker Street
London, W1U 7EU

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 21.3% to 42% by exchanging certain claims it had against other shareholders in this company for additional shares. In addition, RC2 exited a number of positions held under its Trading Programme, thereby generating EUR 5.4m in cash.

As at 31 December 2010, RC2 had an audited net asset value ("NAV") per share of EUR 0.9348, representing an increase of 7.87% over the year, mainly as a result of RC2's increased shareholding in EPH.

RC2's audited NAV per share compares to an unaudited published NAV per share of EUR 1.0264 at the end of 2010. The difference of EUR 0.0916 per share is mainly the result of the effects of the consolidation of Mamaia Resort Hotels SRL and Top Factoring SRL in the audited accounts. Both these investments are booked at fair value when computing RC2's unaudited published NAV per share.

Private Equity Programme

In April 2010, in exchange for releasing certain claims against EPH's other shareholders, RC2's shareholding in EPH increased from 21.3% to 42.0% for no extra consideration. In March 2010, RC2 acquired an 11.1% shareholding in Klas DOO ("Klas"), the holding company for EPH's Bakeries business, for EUR 2.7m. In June 2010, RC2 acquired 3.9% of the share capital of Agri Point Ltd ("Agri Point"), another subsidiary of EPH, for EUR 1.6m and a further 5.5% in December 2010 for EUR 2.2m. The Agripoint shareholding, which was governed by a put and call agreement with EPH, was sold back to EPH at year end for EUR 3.8m, in order to enable the disposal of this business to a third party. In November 2010, RC2 acquired a 49.9% shareholding in East Point Metals Ltd ("EPM"), the copper processing subsidiary of EPH, for a total consideration of EUR 2.3m.

Trading Programme

During the year, RC2 exited a number of its Romanian equity positions held under the Trading Programme, thereby generating EUR 5.4m of cash proceeds. At year-end, its listed equities held under the Trading Programme had a total market value of EUR 3.7 million. 99.3% of this was held in Romanian equities, while the balance of 0.7% was held in Serbian equities.

INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT *(Continued)*

Outlook

In 2010, Romania, Serbia and Bulgaria, the three countries where RC2 has investments, took strong measures to improve their public sector balances, and Romania in particular had to apply severe fiscal tightening measures, including cutting public sector wages by 25% and increasing the VAT level from 19% to 24% over the summer of 2010, while Serbia implemented a freeze on public sector pensions and wages. Whilst painful in the short term, these measures should help lay the foundations for future economic growth. After a difficult 2010, the economic environment in RC2's three main countries of operation has started to show encouraging signs of improvement in 2011. The economic pattern has been helped by rising exports and increased industrial production, while in return, the trade deficits have improved significantly.

In 2011, RC2 is focussing on the ongoing financial and operational restructuring of EPH and its remaining operating subsidiaries (Agripoint and EDDSG, EPH's River Shipping Business, having been sold at the end of 2010), as well as on growing and preparing for sale the Fund's Romanian Private Equity investments.

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 2010

The Directors present their report together with the audited financial statements for the year ended 31 December 2010.

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 2010 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 2010 are contained in Note 22 of the financial statements.

Results and dividends

The year closed with an investment income of EUR 12,479,894 (2009: income of EUR 11,025,220) and a net profit after taxation of EUR 6,647,670 (2009: profit of EUR 3,639,053).

The Directors do not recommend the payment of a dividend.

The Directors of New Europe Capital Limited, which is a subsidiary of Reconstruction Capital II Ltd, approved an interim dividend in respect of the year ended 31 December 2010 of EUR 81,501 (2009: EUR 50,756) to be paid post year end, of which EUR 75,388 was payable to the non-controlling interest (2009: EUR 46,949).

Post-Statement of Financial Position events

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 2010

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-10 Number	% of issued share capital
Markus Winkler	500,000	0.50%
Ion Florescu	910,466	0.91%
Franklin P Johnson Jr.	710,000	0.71%
Dirk Van den Broeck	1,380,837	1.38%
Howard I. Golden	538,738	0.54%

Board

The Board of Directors comprises 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 2010

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 6 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 2010

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. In addition the Company has a 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 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 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 2010

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**.**

Auditors

BDO LLP 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: 29 June 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RECONSTRUCTION CAPITAL II LIMITED

We have audited the financial statements of Reconstruction Capital II Limited for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation are International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Our report has been prepared pursuant to the requirements of the engagement letter dated 23 September 2010, 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 engagement letter 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation and fair presentation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union

BDO LLP
Chartered Accountants
55 Baker Street
London
W1U 7EU
United Kingdom

29 June 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	31-Dec-10 EUR	31-Dec-09 EUR
Revenue	4	4,631,539	3,083,961
Total Revenue		**4,631,539**	**3,083,961**
Investment income			
Gain on investments at fair value through profit or loss	5	11,954,421	10,379,006
Interest income		18,237	73,311
Dividend income		4,082	293,312
Other income		503,154	279,591
Total investment income		**12,479,894**	**11,025,220**
Expenses			
Operating expenses	6	10,955,345	8,924,356
Total operating expenses		**10,955,345**	**8,924,356**
Profit before taxation		**6,156,088**	**5,184,825**
Income tax expense	7	491,582	(1,545,772)
Net profit for the year		**6,647,670**	**3,639,053**
Other comprehensive income			
Exchange differences on translating foreign operations		87,787	(806,210)
Total comprehensive income for the year		**6,735,457**	**2,832,843**
Net profit for the year attributable to:			
- Equity holders of the parent		6,731,609	3,731,544
- Non-controlling interest		(83,939)	(92,491)
		6,647,670	**3,639,053**
Total comprehensive income attributable to:			
- Equity holders of the parent		6,819,396	2,925,334
- Non-controlling interest		(83,939)	(92,491)
		6,735,457	**2,832,843**
Basic and diluted earnings per share	23	0.0673	0.0373

The notes on pages 20 to 48 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

Assets	Notes	31-Dec-10 EUR	31-Dec-09 EUR
Non-current assets			
Property, plant and equipment	9	11,588,403	13,795,880
Financial assets at fair value through profit or loss	11	83,387,381	61,977,165
Goodwill	8	1,257,153	1,257,153
Total non-current assets		**96,232,937**	**77,030,198**
Current assets			
Financial assets at fair value through profit or loss	11	3,711,882	13,551,893
Inventories		181,000	27,000
Trade and other receivables	12	6,607,316	1,273,793
Cash and cash equivalents	13	812,543	5,017,459
Total current assets		**11,312,741**	**19,870,145**
Total assets		**107,545,678**	**96,900,343**
Liabilities			
Current liabilities			
Trade and other payables	14	2,380,538	1,273,241
Loans and borrowings		2,924,754	-
Corporation tax payable		9,925	49,943
Total current liabilities		**5,315,217**	**1,323,184**
Non-current liabilities			
Deferred tax	7	621,000	1,180,000
Loans and borrowings		1,290,000	638,146
Total non-current liabilities		**1,911,000**	**1,818,146**
Total liabilities		**7,226,217**	**3,141,330**
Total net assets		**100,319,461**	**93,759,013**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010 (continued)

	Notes	31-Dec-10 EUR	31-Dec-09 EUR
Capital and reserves attributable to equity holders			
Share capital	22	1,000,000	1,000,000
Share premium reserve	21	121,900,310	121,900,310
Retained deficit	21	(26,548,471)	(33,280,080)
Foreign exchange reserve		(2,876,569)	(2,964,356)
Total equity and reserves		**93,475,270**	**86,655,874**
Non-Controlling Interest		6,844,191	7,103,139
Total equity		**100,319,461**	**93,759,013**

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2011.

Ion Florescu (Director)

The notes on pages 20 to 48 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2010

	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 2009	**1,000,000**	**121,900,310**	**(2,158,146)**	**(37,011,624)**	**83,730,540**	**7,695,820**	**91,426,360**
Profit for the year	-	-	-	3,731,544	**3,731,544**	(92,491)	**3,639,053**
Other comprehensive income	-	-	(806,210)	-	**(806,210)**	-	**(806,210)**
Total comprehensive income for the year	-	-	(806,210)	3,731,544	**2,925,334**	(92,491)	**2,832,843**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(500,190)	**(500,190)**
Balance at 31 December 2009	**1,000,000**	**121,900,310**	**(2,964,356)**	**(33,280,080)**	**86,655,874**	**7,103,139**	**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	**1,000,000**	**121,900,310**	**(2,876,569)**	**(26,548,471)**	**93,475,270**	**6,844,191**	**100,319,461**

Share premium is stated net of share issue costs

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	31-Dec-10 EUR	31-Dec-09 EUR
Cash flows from operating activities		
Net profit before tax	6,156,088	5,184,825
Adjustments for:		
Depreciation and amortisation	210,991	203,109
Impairment	2,738,000	2,181,000
FX translation of fixed assets	180,527	-
(Gain) on financial assets at FVTPL	(11,954,421)	(10,379,006)
Profit on sale of financial asset	50,670	-
Gain on foreign exchange	87,787	169,559
Interest income	(18,237)	(73,311)
Dividend income	(4,082)	(293,312)
Net cash outflow before changes in working capital	**(2,552,677)**	**(3,007,136)**
(Increase) in trade and other receivables	(5,382,625)	(422,338)
Increase /(decrease) in trade and other payables	1,140,946	(39,481)
(Increase)/ decrease in inventories	(154,000)	53,000
Interest received	18,957	79,912
Dividend received	52,466	291,015
Payments for purchase of financial assets	(229,995)	(405,890)
Net proceeds from sale of financial assets	5,467,342	4,761,660
Net cash generated by operating activities	**(1,639,586)**	**1,310,742**
Income tax paid	(107,439)	(515,229)
Cash flows from investing activities		
Sale of property, plant and equipment	167,741	31,192
Purchase of property, plant and equipment	(1,086,963)	(314,438)
Purchase of financial assets	(8,671,500)	(1,439,700)
Sale of financial assets	3,764,880	-
	(7,572,867)	**(927,433)**
Cash flows from financing activities		
Dividends paid to non-controlling interests	(175,009)	(500,191)
Proceeds from loan	4,527,329	-
Payments of loan	(984,369)	18,717
Decrease in cash and cash equivalents	**(4,204,916)**	**(1,408,907)**
Cash at beginning of year	**5,017,459**	**6,426,366**
Cash at end of year	**812,543**	**5,017,459**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 to 31 December 2010.

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. Principal accounting policies

Basis of preparation
The financial statements 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 the revaluation of financial assets at fair value through the profit and loss account. The consolidated financial statements are presented in Euros, which is the functional currency of the Company.

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 3.

Changes in accounting policies
New standards, interpretations and amendments effective from 1 January 2010
The following new standards, interpretations and amendments, also effective for the first time from 1 January 2010, have not had a material effect on the financial statements:

Title	**Implementation**
Group Cash-settled Share based Payment Transactions (Amendments to IFRS 2)	Periods commencing on or after 1 January 2010
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	Periods commencing on or after 30 June 2009
IFRS 3 (Revised) Business Combinations	Periods commencing on or after 1 July 2009
Amendments to IAS 27 Consolidated and Separate Financial Statements	Periods commencing on or after 1 July 2009

2. Principal accounting policies *(Continued)*

Changes in accounting policies *(Continued)*

Title	**Implementation**
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Periods commencing on or after 1 July 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	Periods commencing on or after 1 July 2009. Early adoption permitted.
IFRIC 18 Transfer of Assets from Customers	Transfers of assets from customers received on or after 1 July 2009.
Amendments to IAS 27 Consolidated and Separate Financial Statements	Periods commencing on or after 1 July 2009. Early adoption permitted.

Future accounting developments

Certain new standards, amendments to standards and interpretations have been published that are mandatory to the Group's future accounting periods but have not been adopted early in these financial statements. These are set out below:

Title	**Implementation**	**Anticipated effect on group**
IAS 32 (Amendment) Financial Instruments: Presentation	Periods commencing on or after 1 February 2010. Early adoption is permitted.	No material effect
IFRIC 19 Extinguishing Financial Liabilities with Equity Instrument	Periods commencing on or after 1 July 2010. Early adoption is permitted.	Unlikely to have a material effect
Improvements to IFRSs (2010)	Periods commencing on or after 1 January 2011. Early adoption is permitted.	Unlikely to have a material effect
IAS 24 (Revised) Related Party Disclosures	Periods commencing on or after 1 January 2011. Early adoption is permitted.	Unlikely to have a material effect
IFRS 9 Financial Instruments*	Periods commencing on or after 1 January 2013. Early adoption is permitted.	Unlikely to have a material effect
Disclosures -Transfers of Financial Assets (Amendments to IFRS 7)*	Periods commencing on or after 1 July 2011	No material effect
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*	Periods commencing on or after 1 January 2012	No material effect
IFRS 10 Consolidated Financial Statements*	Periods commencing on or after 1 January 2013. Early adoption is permitted.	Unlikely to have material effect
IFRS 11 Joint Arrangements *	Periods commencing on or after 1 January 2013. Early adoption is permitted.	No material effect
IRFS 12 Disclosure of Interests in Other Entities*	Periods commencing on or after 1 January 2013. Early adoption is permitted.	Unlikely to have material effect
IFRS 13 Fair Value Measurement*	Periods commencing on or after 1 January 2013. Early adoption is permitted.	Unlikely to have material effect
IAS 27 Separate Financial Statements*	Periods commencing on or after 1 January 2013. Early adoption is permitted.	No material effect
IAS 28 Investments in Associates and Joint Ventures*	Periods commencing on or after 1 January 2013. Early adoption is permitted.	No material effect

(*) – not currently endorsed for use in the European Union.

2. Principal accounting policies *(Continued)*

Revenue recognition

Revenue is wholly attributable to the principal activities of the Company and its subsidiaries.

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 the 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 services is recognised in the period in which they are rendered. 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 securities is recognised when the right to receive payment is established. Other income mainly comprises realised profit on foreign currency exchange.

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.

Basis of consolidation

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. As at 31 December the Group had controlling interests in seven subsidiaries as outlined in Note 10.

The consolidated financial statements present the results of the company and its subsidiaries (the “Group”) as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Investments in associates

An associate is an entity over which the Group has significant influence 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.

2. Principal accounting policies *(Continued)*

Business combinations
For business combinations prior to 1 January 2010, the consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated Statement of Comprehensive Income from the date on which control is obtained. An election has been made not to apply IFRS 3 (Revised) to past business combinations.

Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. For accounting periods prior to 1 January 2010, goodwill has been capitalised as an intangible asset with any impairment in carrying value being charged to profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid a bargain purchase is recognised and the excess is credited in full to profit or loss. An election has been made not to apply IFRS 3 (Revised) retrospectively.

Foreign currency translation
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the translation of unsettled monetary assets and liabilities are similarly recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into Euro at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, arising on the acquisition of those operations, are translated at the rate ruling at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in other comprehensive income in a separate equity reserve. On disposal of a foreign operation the cumulative exchange differences recognised in the foreign exchange reserve relating to the operation up to the date of disposal are transferred to the consolidated Statement of Comprehensive Income as part of the profit or loss on disposal.

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.

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:

Investments at fair value through profit or loss
Investments consist of principally listed and unlisted securities and are initially recognised at cost and subsequently re-measured at fair value and translated into Euros at the exchange rate ruling at the reporting date.

2. Principal accounting policies *(Continued)*

Investments at fair value through profit or loss *(Continued)*
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 in accordance with the guidelines of the International Venture Capital Association from time to time in force.

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.

The cost of investments includes all fees and commissions directly related to their purchase. Transaction costs on settlement or payment of purchases and sales of investments are accounted for in profit or loss under operating expenses.

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.

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.

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.

Financial liabilities and equity
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:

Other financial liabilities
Trades and other payables and loans and borrowings are initially recognised at fair value and subsequently at amortised cost under the effective interest method.

2. Principal accounting policies *(Continued)*

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.

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.

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.

2. Principal accounting policies *(Continued)*

Taxation *(Continued)*
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.

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.

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.

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 on a straight line basis over the expected lives of the assets concerned. All companies in the Group have consistent accounting policies.

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 has 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. 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 2010 was EUR 87,099,263 (2009: EUR 75,529,058).

Critical judgments

Functional currency

The Board of Directors considers the Euro 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.

Goodwill

The Group tests annually whether goodwill has suffered any impairment by assessing the recoverable amount of cash generating units using budgets to perform discounted cash flow analysis.

4. Revenue

	31-Dec-10 EUR	31-Dec-09 EUR
Revenue from hotel operations	1,591,000	1,489,000
Revenue from receivables collection operations	3,040,539	1,594,961
Total Revenue	**4,631,539**	**3,083,961**

5. Gain on investments at fair value through profit and loss account

	31-Dec-10 EUR	31-Dec-09 EUR
Unrealised gain on investments	17,541,778	17,652,037
Gain on foreign exchange	830	1,517
Realised investment (loss)	(5,588,187)	(7,274,548)
	11,954,421	**10,379,006**

6. Expenditures

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.

6. Expenditures *(Continued)*

Investment Manager and Investment Advisory fees *(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 1,950,290 (2009: EUR 1,593,979). See Note 18 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 (2009 – 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 180,183 (2009: EUR 176,752). 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 88,367 (2009: EUR 99,991). No amounts were outstanding at the year end.

Administrator and Custodian fees
The current administrator and custodian, Sanne Trust Company Limited, received a fixed monthly fee, payable quarterly in arrears. The administration and custodian fee included in the profit or loss is EUR 74,938 (2009: nil). An amount of EUR 45,000 was outstanding at the year end (2009: nil).

6. Expenditure*(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:

	2010	2009
	EUR	EUR
Howard I. Golden	40,000	40,000
Ion Alexander Florescu	30,000	40,000
Franklin Pitcher Johnson Jr.	30,000	40,000
Markus Winkler	30,000	40,000
Dirk Van den Broeck	30,000	40,000
Total	**160,000**	**200,000**

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 67,645, which included EUR 23,286 of pension benefits (2009: EUR 42,973).

Profit for the Year
Profit for the year has been arrived at after charging the following expenses:

	31-Dec-10	31-Dec-09
	EUR	EUR
Investment Management /Advisory fees (Note 18)	1,950,290	1,593,979
Administration and custodian fees	343,488	276,743
Audit fees	111,447	102,894
Directors' fees	148,981	200,000
Impairment	2,738,000	2,181,000
Depreciation	210,027	203,109
Rental of assets-operating leases	13,505	13,102
Foreign exchange (gain) / loss	(9,497)	134,171
Profit on disposal of investment property	1,191	-
Staff costs	1,523,057	1,068,650
Other fees	3,924,856	3,150,708
	10,955,345	**8,924,356**

An impairment charge of EUR 2,738,000 (2009: EUR 2,181,000) has arisen on the Mamaia hotel property following an independent valuation report determining that the recoverable amount was lower than the carrying value.

Staff Costs
Staff costs can be broken down as follows:

	31-Dec-10	31-Dec-09
	EUR	EUR
Wages and salaries	1,155,059	840,806
Social Security Expenses	298,354	220,865
Other costs related to employees	15,896	6,979
Share option expense	53,748	-
	1,523,057	1,068,650

6. Expenditure *(Continued)*

Staff Costs *(Continued)*
The share option expense relates to two management services agreements with the general manager and the operating manager of Top Factoring SRL, a subsidiary (see note 10), 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.

7. Income tax expense

	31-Dec-10	**31-Dec-09**
	EUR	**EUR**
Current tax on profit for the year	66,784	198,048
Deferred tax arising from temporary timing differences	(559,000)	1,180,000
Withholding tax	634	167,724
Tax on profit on ordinary activities	**(491,582)**	**1,545,772**

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-10	**31-Dec-09**
	EUR	**EUR**
Profit before taxation	3,441,508	5,184,825
Expected tax charge based on the standard rate of corporation tax in the Cayman Islands of 0%	-	-
Effect of:		
Withholding tax	634	167,724
Foreign tax - UK Corporation tax	33,092	65,124
Foreign tax – Cyprus Corporation tax	27,018	86,846
Foreign tax - Romanian Corporation tax	6,674	46,078
Foreign tax - Romanian deferred tax	(559,000)	1,180,000
Tax on profit on ordinary activities	**(491,582)**	**1,545,772**

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).

RC2 (Cyprus) Ltd, Georok Holdings Ltd and Glasro Holdings Ltd are all incorporated in Cyprus. A tax charge of nil has been recognised for the financial year in respect of both RC2 (Cyprus) Ltd and Georok Holdings Ltd (2009: EUR 86,846 and nil respectively). In respect of Glasro Holdings Ltd, a tax charge of EUR 27,018 has been recognised for the financial year (2009: nil).

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 nil, EUR 1,674 and EUR 5,000 respectively have been recognised for the financial year (2009: EUR 42,348, EUR 1,730 and EUR 2,000 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.

7. Income tax expense *(Continued)*

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-10	**31-Dec-09**
	EUR	**EUR**
At 1 January		
Recognised in profit or loss	1,180,000	-
Tax expense on timing differences relating to property revaluations	(559,000)	1,180,000
At 31 December	621,000	1,180,000

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

8. Goodwill

	31-Dec-10	**31-Dec-09**
	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 2010 the recoverable amount was EUR 9,887,350 (2009 EUR 4,654,348) being the value in use of Top Factoring SRL. 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 2015 and assumed growth rates between 13% and 44% (2009: to 2013 and rates of 13% and 44%). A discount rate of 12.21% was estimated using a CAPM model (2009: 16.19%).

9. Property, plant and equipment

	Buildings and infrastructure	Motor vehicles	Leasehold improvements	Office Equipment	Computer hardware and software	Assets in course of construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
At 1 January 2010	**15,559,000**	**477,342**	**-**	**100,737**	**23,360**	**163,000**	**16,323,439**
Additions in 2010	791,000	123,893	-	167,084	1,986	3,000	1,086,963
Disposals in 2010	-	(3,286)	-	(3,455)	(1,000)	(160,000)	(167,741)
Translation differences	(172,000)	(7,142)	-	(778)	430	(2,000)	(181,490)
At 31-Dec-10	**16,178,000**	**590,807**	**-**	**263,588**	**24,775**	**4,000**	**17,061,170**

	Buildings and infrastructure	Motor vehicles	Leasehold improvements	Office Equipment	Computer hardware and software	Assets in course of construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Depreciation							
At 1 January 2010	**2,311,000**	**145,098**	**-**	**61,803**	**9,658**	**-**	**2,527,559**
Provided for 2010	229,000	(8,737)	-	(13,074)	3,801	-	210,991
Disposals in 2010	-	(1,000)	-	(1,819)	-	-	(2,819)
Impairment losses (Note 6)	2,607,000	102,000	-	29,000	-	-	2,738,000
Translation differences	-	(830)	-	(469)	336	-	(963)
At 31-Dec-10	**5,147,000**	**236,531**	**-**	**75,441**	**13,795**	**-**	**5,472,767**
Net book value							
At 31-Dec-10	**11,031,000**	**354,276**	**-**	**188,147**	**10,980**	**4,000**	**11,588,403**

	Buildings and infrastructure	Motor vehicles	Leasehold improvements	Office Equipment	Computer hardware and software	Assets in course of construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost							
At 1 January 2009	16,016,000	357,677	5,192	121,371	10,707	505,000	17,015,947
Additions in 2009	-	130,277	-	11,161	11,000	162,000	314,438
Disposals in 2009	-	-	(5,192)	(26,000)	-	-	(31,192)
Transfer of assets	463,000	-	-	-	-	(473,000)	(10,000)
Translation differences	(920,000)	(10,612)	-	(5,795)	1,653	(31,000)	(965,754)
At 31-Dec-09	**15,559,000**	**477,342**	**-**	**100,737**	**23,360**	**163,000**	**16,323,439**

9. Property, plant and equipment *(Continued)*

	Buildings and infrastructure	Motor vehicles	Leasehold improvements	Office Equipment	Computer hardware and software	Assets in course of construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Depreciation							
At 1 January 2009	87,000	31,892	5,192	14,232	5,134	-	143,450
Provided for 2009	48,000	120,852	-	48,192	3,286	-	220,330
Disposals in 2009	-	(6,000)	(5,192)	-	-	-	(11,192)
Impairment losses (Note 6)	2,181,000	-	-	-	-	-	2,181,000
Translation differences	(5,000)	(1,646)	-	(621)	1,238	-	(6,029)
At 31-Dec-09	**2,311,000**	**145,098**	**-**	**61,803**	**9,658**	**-**	**2,527,559**
Net book value							
At 31-Dec-09	**13,248,000**	**332,244**	**-**	**38,934**	**13,702**	**163,000**	**13,795,880**

10. 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	Cyprus	100%
RC2 (Cyprus) Imobiliara SRL	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%

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.

11. Financial assets

	31-Dec-10	31-Dec-09
Non-current investments	**EUR**	**EUR**
Unlisted equity securities	73,789,908	47,458,951
Listed equity securities	9,597,473	14,518,214
	83,387,381	**61,977,165**
Cost	85,663,687	80,274,730
Unrealised loss on investments	(2,276,306)	(18,297,565)
Fair value of the investments	**83,387,381**	**61,977,165**

	31-Dec-10	31-Dec-09
Current investments	**EUR**	**EUR**
Listed equity securities	3,711,882	8,024,839
Unlisted equity options	-	5,527,054
Total financial assets at fair value through profit or loss	**3,711,882**	**13,551,893**
Cost	11,945,797	23,306,073
Unrealised loss on investments	(8,233,915)	(9,754,180)
Fair value of the investments	**3,711,882**	**13,551,893**

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.

12. Trade and other receivables

	31-Dec-10	31-Dec-09
	EUR	**EUR**
Trade receivables	308,000	310,015
Other receivables	6,299,316	963,778
	6,607,316	**1,273,793**

All trade receivables are classed as loans and receivables under IAS 39. The book value approximates fair value.

13. Cash and cash equivalents

	31-Dec-10 EUR	31-Dec-09 EUR
Cash on hand and demand deposits	812,543	5,017,459

14. Trade and other payables

	31-Dec-10 EUR	31-Dec-09 EUR
Trade payables	739,127	477,001
Other payables and accruals	1,641,411	796,240
	2,380,538	**1,273,241**

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

15. 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-10**	**31-Dec-09**
GBP	1.1671000	1.1274590000
USD	0.7454175	0.6977419999
RON	0.2356490	0.2362329999
BGN	0.5113000	0.5112999999
RSD	0.0094312	-

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

	31-Dec-10 EUR	31-Dec-09 EUR
Net assets (excluding non-controlling interest)	93,475,270	86,655,874
Number of shares	100,000,000	100,000,000
Net Asset Value per share	0.9348	0.8666

17. Commitments under operating leases

As at 31 December 2010, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as set out below:

	31-Dec-10	31-Dec-09
Minimum lease payments due:	EUR	EUR
Not later than one year	13,852	13,535
Later than one year and not later than five years	28,000	50,264
	41,852	**58,651**

18. 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 2,294,458 (2009: EUR 2,070,103). Total fees outstanding as at 31 December 2010 were EUR 487,808 (2009: EUR 402,787).

Investment Management and Advisory fees	31-Dec-10	31-Dec-09
	EUR	EUR
New Europe Capital Ltd *	344,169	476,124
New Europe Capital SRL	1,491,398	972,948
New Europe Capital DOO	458,892	621,031
	2,294,458	**2,070,103**

Outstanding Amounts	31-Dec-10	31-Dec-09
	EUR	EUR
New Europe Capital Ltd *	29,490	81,000
New Europe Capital SRL	380,921	165,523
New Europe Capital DOO	77,397	156,264
	487,808	**402,787**

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 2010 or 2009.

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

As at 31 December 2010, a loan of EUR 2,238,649 was payable to Tidal Wave Trading Limited (2009: nil) which is a related party in which directors of the Company are also shareholders. The loan bears interest of 8% per annum and the initial balance of EUR 2,205,000 was granted for a period of 14 months from 6 December 2010. The loan balance and accrued interest were repaid in full on 14 January 2011.

19. 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-10 EUR	31-Dec-09 EUR
Trade and other receivables	6,607,316	1,273,793
Cash and cash equivalents	812,543	5,017,459
	7,419,859	6,291,252

Trade receivables and cash are both classified as loans and receivables so the total credit risk exposure to loans and receivables is EUR 7,419,859 (2009 - EUR 6,291,252).

Of the total trade and other receivables, EUR 3,817,539 relates to an amount receivable following a sale of non-current financial asset. This amount was received into the bank account on 11 January 2011. The majority of the remaining trade and other receivable balance, EUR 1,908,632, relate to purchased portfolios of receivables by Glasro Holdings Limited and Top Factoring S.R.L. between December 2006 and December 2010. 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 6,607,316 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'.

31-Dec-10	Rating	Rating Agency	EUR
Cash and cash equivalents	A2	Moody's	-
	A+	Standard & Poor's	210,367
	A	Standard & Poor's	167,033
	Other		435,143
			812,543

31-Dec-09	Rating	Rating Agency	EUR
Cash and cash equivalents	A2	Moody's	738,715
	A+	Standard & Poor's	3,511,254
	A	Standard & Poor's	411,273
	Other		356,217
			5,017,459

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.

19. Risk management objectives and policies *(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-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)

All amounts stated in Euro **31-Dec-09**	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
GBP	192,788	(82,559)	110,229
USD	770	-	770
RON	1,265,255	(444,970)	820,285
BGN	30,588	-	30,588
	1,489,401	(527,529)	961,872

19. Risk management objectives and policies *(Continued)*

Foreign currency risks *(Continued)*
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:

31-Dec-10	EUR	31-Dec-09	EUR
GBP	7,167	GBP	5,511
USD	11	USD	39
RON	(73,963)	RON	41,014
BGN	-	BGN	1,529
	(66,785)		**48,093**

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.

	Less than 1 month	Less than 1 year	No stated maturity
31-Dec-10	**EUR**	**EUR**	**EUR**
Accrued expenses	618,914	-	-
Trade and other payables	-	1,761,625	-
Loans and borrowings	2,238,649	656,247	29,857
	2,857,563	**2,417,872**	**29,857**

19. Risk management objectives and policies *(Continued)*

Liquidity risk *(continued)*

31-Dec-09	Less than 1 month EUR	Less than 1 year EUR	No stated maturity EUR
Accrued expenses	726,612	-	-
Trade and other payables	-	546,629	-
Loans and borrowings	-	-	638,146
	726,612	**546,629**	**638,146**

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-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	2,238,649	605,276	80,829
Total current liabilities	2,238,649	605,276	2,461,367
Total interest sensitivity gap	**(1,855,676)**	**(181,502)**	

	Interest Bearing		Non-interest
31-Dec-09	**Fixed**	**Floating**	**bearing**
	EUR	**EUR**	**EUR**
Trade and other receivables	-	-	1,273,793
Cash and cash equivalents	1,244,985	3,732,474	40,000
Total current assets	1,244,985	3,732,474	1,313,793
Trade and other payables	-	-	1,273,241
Total current liabilities	-	-	1,273,241
Total interest sensitivity gap	**1,244,985**	**3,732,474**	

19. Risk management objectives and policies *(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 2,017 (2009: EUR 12,444). 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-10		**31-Dec-09**
		Percentage of		**Percentage of**
Investment assets	**EUR**	**Net Assets**	**EUR**	**Net Assets**
Listed equity investments	13,309,355	13%	22,543,052	26%

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 0.67% or EUR 665,467 (2009: 1.2% or EUR 1,127,153).

East Point Holdings options

During 2008 the Group acquired a 21.3% shareholding in East Point Holdings Limited ("EPH"). The investment is included within unlisted equity securities. Under the terms of the acquisition agreement the Group had the option to require EPH to repurchase all its shares at a 25% compound rate gain on the purchase price of the shares if the required reorganisation of EPH into various sub-holding companies did not take place by December 2009.

At 31 December 2009 the Put Option was valued at EUR 5,527,054 based on 50% probability that the Company could recover the full value of the put. The 50% probability factor was determined by the Board of RC2 after careful consideration of all details available at the time. As EPH was unable to complete the required reorganisation in due time, the Group was able to exercise the Put Option, and did so as a protective measure in April 2010. Following this exercise, the Group commenced negotiations with EPH and, after examining all options and with particular regard to the difficulties in monetising the claim derived from the Put Option, the Group determined that the most beneficial solution for its shareholders was to exchange its claim for additional shares in EPH, which increased its shareholding from 21.33% to 42.00%. Therefore during the year, the value of the put option of EUR 5,527,054 was transferred from Level 3 Equity Option to Level 3 Equities.

19. Risk management objectives and policies *(Continued)*

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.

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 2 of the Significant accounting policies section. For fair values of investments classified as level 3 (see below), the following assumptions apply:

<u>East Point Holdings Ltd</u>
East Point Holdings Ltd ("EPH") was valued by an independent valuer as at 31 December 2010. The major assumptions used in the valuation are as follows:

- A weighted average cost of capital of between 12.7 and 18.2%
- A market risk premium of 5%
- A 3.25% risk-free rate for Euro
- A terminal value rate of between 2 and 2.5 %

<u>Policolor S.A.</u>
Policolor S.A. was valued by an independent valuer as at 31 December 2010. The major assumptions used in the valuation are as follows:

- A 10% weighted average cost of capital
- A terminal value rate of 2%

19. Risk management objectives and policies *(Continued)*

Fair Value Information*(continued)*

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.

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 2010

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

As at 31 December 2009.

Assets	**Total EUR**	**Level 1 EUR**	**Level 2 EUR**	**Level 3 EUR**
Equity investments	**70,002,004**	22,543,053	-	47,458,951
Equity option investments	**5,527,054**	-	-	5,527,054
Total	**75,529,058**	22,543,053	-	52,986,005

19. Risk management objectives and policies *(Continued)*

Fair Value Information *(continued)*

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 2010	52,986,005	47,458,951	5,527,054
Total gains or losses (realised/unrealised):			
-In investment income in Statement of Comprehensive Income	15,470,405	15,470,405	-
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	-

During the year, the equity option was exchanged for additional shares (see above) and thus the carrying value was transferred from Equity options to Equities. Additionally, a non-current asset investment, which was previously categorised as level 1was re-categorised into level 3 as it was not a quoted investment.

	Total	Equities	Equity options
	EUR	**EUR**	**EUR**
Beginning balance 1 January 2009	20,391,127	20,391,127	
Total gains or losses (realised/unrealised):			
-In investment income in Statement of Comprehensive Income	594,878	(4,932,176)	5,527,054
Transfer from level 1	32,000,000	32,000,000	-
Ending balance 31 December 2009	**52,986,005**	**47,458,951**	**5,527,054**
Unrealised loss in earnings from assets still held at year end	(13,969,411)	(19,496,465)	5,527,054

During 2009 a non-current asset investment was delisted from the stock exchange it had been listed on in 2008. As a result, the investment was moved from a level 1 ranking to a level 3 ranking.

20. 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.

	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**
Reportable segment total assets	11,969,000	9,597,473	73,789,907	3,711,882	8,477,415	**107,545,678**
Reportable segmental (loss)/ gain (before tax)	(428,000)	(4,920,740)	17,024,366	(203,249)	(5,316,288)	**6,156,088**
Reportable segment liabilities	(1,539,247)	-	(1,188,511)	-	9,953,975	**7,226,217**
Revenue from external customers	1,591,000	**-**	3,040,539	-	-	**4,631,539**
Gains on investments at FVTPL	-	(4,866,696)	17,024,366	(203,249)	-	**11,954,421**
Interest revenue	-	-	13,437	-	4,800	**18,237**
Depreciation and impairment	2,896,000	-	30,531	-	21,496	**2,948,027**
Dividends	-	-	-	4,082	-	**4,082**
Income tax expense	554,000	(634)	(28,693)	-	(33,091)	**491,582**
Other income	232,000	18,729	-	-	252,425	**503,154**

20. Operating segments *(Continued)*

Reportable segments

	Hotel Operations 31-Dec-09 EUR	Listed Private Equity Programme 31-Dec-09 EUR	Unlisted Private Equity Programme 31-Dec-09 EUR	Trading Programme 31-Dec-09 EUR	All Other 31-Dec-09 EUR	Total 31-Dec-09 EUR
Reportable segment total assets	13,952,000	15,041,311	54,117,850	7,501,741	6,287,441	**96,900,343**
Reportable segmental (loss)/ gain (before tax)	(600,000)	5,913,966	2,376,284	2,046,461	(4,551,886)	**5,184,825**
Reportable segment liabilities	1,111,232	-	126,152	-	1,903,946	**3,141,330**
Revenue from external customers	1,489,000	-	1,594,961	-	-	**3,083,961**
Gains on investments at fair value through profit or loss	-	5,913,666	2,402,482	2,062,558	-	**10,379,006**
Interest revenue	-	-	-	-	73,311	**73,311**
Depreciation and impairment	2,328,000	-	33,777	-	22,332	**2,834,109**
Dividends	-	-	-	293,312	-	**293,312**
Income tax expense	-	-	-	25,301	340,471	**365,772**
Other income	78,000	-	-	-	201,591	**279,591**

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

	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)	14,314,469	3,779	**11,954,421**
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**
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**

20. Operating segments *(Continued)*

Reportable segments *(continued)*

	Romania 31-Dec-09 EUR	Serbia 31-Dec-09 EUR	Other 31-Dec-09 EUR	Total 31-Dec-09 EUR
Revenues				
Total investment income/ (loss)	14,079,779	(3,677,275)	(23,497)	**10,379,007**
Revenue from hotel operations	1,489,000	-	-	**1,489,000**
Commissions from receivables collection operations	1,594,961	-	-	**1,594,961**
Interest income	41,363	-	31,948	**73,311**
Dividend income	293,312	-	-	**293,312**
Other income	77,983	-	201,608	**279,591**
	17,576,398	**(3,677,275)**	**210,059**	**14,109,181**
Total assets				
Financial assets at FVTPL	60,208,683	14,317,741	1,002,635	**75,529,058**
Property, plant and equipment	13,793,178	-	2,702	**13,795,880**
Goodwill	1,257,153	-	-	**1,257,153**
Non-current assets	**75,259,014**	**14,317,741**	**1,005,337**	**90,582,091**
Inventories	27,000	-	-	**27,000**
Trade and other receivables	1,138,265	-	135,528	**1,273,793**
Cash and cash equivalents	4,311,808	294,378	411,273	**5,017,459**
Total Assets	**80,736,086**	**14,612,119**	**1,552,138**	**96,900,343**

21. 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

22. Share Capital

	Authorised		Authorised	
	2010 Number	**2010 EUR**	**2009 Number**	**2009 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	
	2010 Number	**2010 EUR**	**2009 Number**	**2009 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

23. Earnings per share

	31-Dec-10 EUR	**31-Dec-09 EUR**
Numerator		
Profit for the year attributable to the equity holders of the parent	6,731,609	3,731,544
Earnings used in EPS	**6,731,609**	**3,731,544**
Denominator		
Weighted average number of shares used in basic& diluted EPS	100,000,000	100,000,000
Earnings per share	**0.0673**	**0.0373**

24. Events after the reporting period

There have been no significant events after the reporting period that require disclosure in the financial statements.