RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For year ended 31 December 2012

Page	**Contents**

DIRECTORS AND COMPANY INFORMATION

Domicile and country of incorporation of parent company
Cayman Islands

Legal form
Limited Liability Company

Directors
Howard I. Golden
Ion Alexander Florescu
Franklin Pitcher Johnson Jr. (resigned 31 March 2012)
Markus Winkler
Dirk Van den Broeck
Robert Petch (appointed 6 August 2012)

Secretary and registered office
Appleby Corporate Services (Cayman) Ltd
Clifton House
PO Box 1350
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

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

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

New Europe Capital DOO
Francuska 12
11000 Beograd

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

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

DIRECTORS AND COMPANY INFORMATION *(Continued)*

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

Company number
HL-156549

Independent Auditors
PricewaterhouseCoopers Ltd
Julia House
3 Themistocles Dervis Street
CY-1066 Nicosia
Cyprus
PO Box 21612
CY-1591 Nicosia
Cyprus

INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT

During the year, Reconstruction Capital II Limited ("RC2" or the "Company") suffered a dramatic fall in its NAV per share, which fell from EUR 0.9272 (as restated as at 31st December 2011) to EUR 0.3933. The bulk of the fall mainly reflects a significant write-down in the valuation of East Point Holdings Limited, which is the most highly leveraged investment of RC2, and therefore its valuation is highly sensitive to a deterioration in its trading performance. However, the change also reflects lesser write downs of the investments in Policolor S.A., Top Factoring Srl (and its sister company Glasro Holdings Ltd), Mamaia Resort Hotels Srl and Klas D.o.o.

The 2011 accounts were restated due to the early adoption of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities, which exempt investment companies from the need to consolidate their investments. The Company took advantage of this exemption in order to give a clearer view of the fair value of the various investments held by the Company. Previously, the investments in Top Factoring Srl (and its sister company Glasro Holdings Ltd) and Mamaia Resort Hotels Srl had been consolidated.

RC2's audited NAV per share as at the end of 2012 compares to an unaudited published NAV per share of EUR 0.8784. The difference of EUR 0.4851 per share is the result of a lower fair value for RC2's private equity investments. The new annual independent third parties valuation exercise took place after the computation of the unaudited published year-end NAV.

RC2 did not make any new investments under its Private Equity Programme, but started the exit process for some of its private equity investments. Unfortunately, the depressed macro-economic climate in the region, as well as the extremely low level of interest in the region from strategic investors, meant that it was not possible to effect any exits from these positions during the year. However, RC2 exited certain positions held under its Trading Programme, thereby generating EUR 1.4m, helping its cashflow. The Company had to borrow EUR 3.0m from one of its shareholders in 2012 in order to support its operations. Consequently, it ended 2012 with EUR 1.3m of cash and borrowings of EUR 4.5m, as well as EUR 3.8m of accrued liabilities to its suppliers.

Private Equity Programme

During the year, RC2 continued to prepare its investee companies for sale and put both Top Factoring Srl and its sister company Glasro Holdings Ltd up for sale by means of an organised sales process. It also started an organised sales process for Klar, the automotive and industrial paints division of Policolor S.A, and made progress in the preparation of the Policolor's Bucharest site for sale. However, this sale is dependent on the sale of Klar, or the relocation of its production, as Klar is the only division of the Policolor group which still manufactures its products at the Bucharest site.

Trading Programme

During the year, RC2 exited a number of its equity positions held under the Trading Programme, thereby generating EUR 1.4m of cash proceeds. At year-end, its listed equities held under the Trading Programme had a total market value of EUR 0.5 million. All the Trading Programme was held in Romanian equities.

Outlook

A shareholder meeting held in December 2012 approved extending the life of the Company for a further two years until December 2014. During this time, RC2 will seek to exit its current

INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT
(Continued)

Outlook *(Continued)*

investments and will not make any new investments except follow-on investments in existing investee companies.

During 2012, Romania, Serbia and Bulgaria, the three countries where RC2 has investments, suffered from their export growth losing steam due to economic weakness in the EU, their main export market. However, the three countries have been sheltered by relatively large foreign reserves and relatively low overall public debt. The low levels of capital inflows and especially of foreign direct investment in the context of a weak external environment should continue to limit the economic growth of the three countries in 2013, making it particularly challenging for RC2 to effect exits from its 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 seek 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 does 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.

Change of investment objective and policy of the Company

Following the annual general meeting of the Company on 14 December 2012, the investment objective and policy of the Company was amended such that no new investments will be made, further investments into existing portfolio companies will be permitted in certain circumstances pending their realisation and, following each realisation, all proceeds will be returned to Shareholders after paying outstanding liabilities and setting aside a sufficient amount for working capital purposes.

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 2012

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2012.

Activities and business review
The Company's principal activity is the holding and managing of investments in Romania and other countries in South-East Europe. A summary of the Company's business review for the year ended 31 December 2012 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 issued by the International Accounting Standards Board (IASB).

Share Capital and Reserves
Details of the Company's authorised and issued share capital as at 31 December 2012 are contained in Note 28 of the consolidated financial statements.

Results and dividends
The year closed with an investment loss of EUR 48,860,788 (2011: loss of EUR 11,468,043) and a total loss for the year of EUR 53,252,797 (2011: loss of EUR 14,592,538).

The Directors do not recommend the payment of a dividend.

The Directors of New Europe Capital Limited, the Investment Manager of the Company, which is also a subsidiary of Reconstruction Capital II Ltd, approved an interim dividend in respect of the year ended 31 December 2012 of EUR 78,694 (2011: EUR 113,510 and paid in 2011), of which EUR 72,792 was payable to the non-controlling interest (2011: EUR 104,997). No final dividend for 2012 had been declared as at the date of the approval of these accounts (2011: EUR 81,081, of which EUR 75,000 was paid to the non-controlling interest).

Post-Statement of Financial Position events

Other than the matter disclosed in note 30, 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 2012
(Continued)

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

		31-Dec-12 Number	% of issued share capital
Markus Winkler		500,000	0.50%
Ion Florescu		4,216,562	4.22%
Franklin P Johnson Jr.	(resigned 31 March 2012)	710,000	0.71%
Dirk Van den Broeck		2,036,831	2.04%
Howard I. Golden		1,059,732	1.06%
Robert Petch	(appointed 6 August 2012)	20,000	0.02%

Board
During the year, the Board of Directors comprised a maximum of 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.

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 2012
(Continued)

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

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

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

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

The contracting parties themselves are responsible for paying their employees. The Board policy is that the Directors' remuneration should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. The Directors are not eligible for bonuses, pension benefits, share options or other benefits. Details of the payments to Directors are given in Note 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 Company 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 2012
(Continued)

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

Going concern
Following the annual general meeting of the Company on 14 December 2012, the life of the Company was extended for at least two years, further extension will be discussed at the annual general meeting in 2014.
The Directors have reasonable expectations and are satisfied that the Company has adequate resources to continue its operations and meet its commitments for the foreseeable future and they continue to adopt the going concern basis of preparation of the consolidated financial statements.

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

The consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) 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 Company'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 2012
(Continued)

A fair representation also requires the Directors to:

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

Financial statements are published on the Company'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 Company's website is the responsibility of the Directors. The Directors' responsibilities also extend to the ongoing integrity of the financial statements.

Change of investment objective and policy of the Company
Following the annual general meeting of the Company on 14 December 2012, the investment objective and policy of the Company was amended such that no new investments will be made, further investments into existing portfolio companies will be permitted in certain circumstances pending their realisation and, following each realisation, all proceeds will be returned to Shareholders after paying outstanding liabilities and setting aside a sufficient amount for working capital purposes.

Independent Auditors

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

On behalf of the Board

Ion Florescu
Director

Date: 27 June 2013

Independent auditor's report
To the Members of Reconstruction Capital II Limited 2012

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Reconstruction Capital II Limited 2012 (the "Company") and its subsidiaries (together with the Company, the ''Group''), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board.

Other matter

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 27 June 2013

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	31-Dec-12 EUR	31-Dec-11 As restated EUR
Investment loss			
Loss on investments at fair value through profit or loss	6	(49,389,415)	(11,876,866)
Interest income		329,387	134,545
Dividend income		1,282	35,354
Other income		197,958	238,924
Total investment loss		**(48,860,788)**	**(11,468,043)**
Expenses			
Impairment on loan receivables	15(b)	(943,143)	-
Operating expenses	7	(2,764,984)	(3,021,485)
Total operating expenses		**(3,708,127)**	**(3,021,485)**
Operating loss		**(52,568,915)**	**(14,489,528)**
Financial expenses	8	(612,149)	(32,127)
Loss before taxation		**(53,181,064)**	**(14,521,655)**
Income tax expense	9	(71,733)	(70,883)
Loss for the year		**(53,252,797)**	**(14,592,538)**
Other comprehensive income			
Exchange differences on translating foreign operations		10,458	12,705
Total comprehensive loss for the year		**(53,242,339)**	**(14,579,833)**
Net loss for the year attributable to:			
- Equity holders of the parent		(53,392,784)	(14,770,148)
- Non-controlling interest		139,987	177,610
		(53,252,797)	**(14,592,538)**
Total comprehensive loss / income attributable to:			
- Equity holders of the parent		(53,392,000)	(14,769,193)
- Non-controlling interest		149,661	189,360
Total comprehensive loss for the year		**(53,242,339)**	**(14,579,833)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

		31-Dec-12	31-Dec-11
			As restated
		EUR	EUR
Earnings Per Share attributable to the equity shareholders of the Company	29		
Basic and diluted earnings per share		(0.5339)	(0.1477)

The notes on pages 22 to 60 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	31-Dec-12	31-Dec-11 As restated	1-Jan-11 As restated
Assets		EUR	EUR	EUR
Non-current assets				
Property, plant and equipment	11	13,458	7,862	2,515
Financial assets at fair value through profit or loss	14	42,041,100	91,289,361	99,539,127
Loans receivable	15	560,501	550,895	406,700
Total non-current assets		**42,615,059**	**91,848,118**	**99,948,342**
Current assets				
Financial assets at fair value through profit or loss	14	456,773	1,970,473	3,711,882
Trade and other receivables	16	277,777	187,512	4,133,322
Loans receivable	15	3,366,167	2,283,833	2,245,500
Cash and cash equivalents	17	1,318,380	296,040	680,487
Total current assets		**5,419,097**	**4,737,858**	**10,771,191**
Total assets		**48,034,156**	**96,585,976**	**110,719,533**
Liabilities				
Current liabilities				
Trade and other payables	18	3,754,477	1,678,372	624,718
Loans and borrowings	19	1,541,870	968,948	2,238,649
Corporation tax payable		44,651	52,967	9,923
Total current liabilities		**5,340,998**	**2,700,287**	**2,873,290**
Non-current liabilities				
Loans and borrowings	19	3,000,000	802,400	-
Total non-current liabilities		**3,000,000**	**802,400**	**-**
Total liabilities		**8,340,998**	**3,502,687**	**2,873,290**
Total net assets		**39,693,158**	**93,083,289**	**107,846,243**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 *(Continued)*

	Notes	31-Dec-12 EUR	31-Dec-11 As restated EUR	1-Jan-11 As restated EUR
Capital and reserves attributable to equity holders				
Share capital	27	1,000,000	1,000,000	1,000,000
Share premium reserve	27	121,900,310	121,900,310	121,900,310
Retained deficit	27	(83,541,201)	(30,148,417)	(15,378,269)
Foreign exchange reserve	27	(27,966)	(28,750)	(29,705)
Total equity and reserves		**39,331,143**	**92,723,143**	**107,492,336**
Non-Controlling Interests		362,015	360,146	353,907
Total equity		**39,693,158**	**93,083,289**	**107,846,243**

The financial statements were approved by the Board of Directors and authorised for issue on 27 June 2013.

Ion Florescu (Director) Howard I. Golden (Chairman)

The notes on pages 22 to 60 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2012

	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 2011 –as previously reported	**1,000,000**	**121,900,310**	**(1,639,610)**	**(24,439,609)**	**96,821,091**	**3,498,370**	**100,319,461**
Prior year adjustment – **Note 2**	-	-	1,609,905	9,061,340	10,671,245	(3,144,463)	7,526,782
Balance at 1 January 2011 – as restated	**1,000,000**	**121,900,310**	**(29,705)**	**(15,378,269)**	**107,492,336**	**353,907**	**107,846,243**
(Loss)/Profit for the year	-	-	-	(14,770,148)	(14,770,148)	177,610	**(14,592,538)**
Other comprehensive income	-	-	955	-	955	11,750	**12,705**
Total comprehensive (loss) / income for the year	-	-	955	(14,770,148)	(14,769,193)	189,360	**(14,579,833)**
Dividends paid to non-controlling interests	-	-	-	-	-	(183,121)	**(183,121)**
Balance at 31 December 2011 – as restated	**1,000,000**	**121,900,310**	**(28,750)**	**(30,148,417)**	**92,723,143**	**360,146**	**93,083,289**
(Loss) / Profit for the year	-	-	-	(53,392,784)	**(53,392,784)**	139,987	**(53,252,797)**
Other comprehensive income	-	-	784	-	**784**	9,674	**10,458**
Total comprehensive (loss) / income for the year	-	-	784	(53,392,784)	**(53,392,000)**	149,661	**(53,242,339)**
Dividends paid to non-controlling interests	-	-	-	-	**-**	(147,792)	**(147,792)**
Balance at 31 December 2012	**1,000,000**	**121,900,310**	**(27,966)**	**(83,541,201)**	**39,331,143**	**362,015**	**39,693,158**

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

The notes on pages 22 to 60 form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31-Dec-12 EUR	31-Dec-11 EUR As restated
Cash flows from operating activities			
Net loss before tax		(53,181,064)	(14,521,655)
Adjustments for:			
Depreciation and amortisation	11	3,243	2,258
Loss on financial assets at FVTPL	6	49,389,415	11,876,866
Impairments on loans receivable	15(b)	943,143	-
Interest income		(329,387)	(134,545)
Interest expense		430,520	32,127
Dividend income		(1,282)	(35,354)
Net cash outflow before changes in working capital		**(2,745,412)**	**(2,780,303)**
(Increase)/Decrease in trade and other receivables	16	(90,265)	2,918,542
Increase in trade and other payables	18	2,076,105	1,053,654
Purchase of financial assets		-	(2,839,032)
Sale of financial assets		1,365,234	2,005,319
Interest income received		12,118	62,703
Dividends received		1,282	35,354
Cash generated by operating activities		**619,062**	**456,237**
Income tax paid	9	(80,049)	(27,839)
Net Cash generated by operating activities		**539,013**	**428,398**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(8,631)	(7,530)
Payments of loans granted to subsidiaries		(2,268,000)	(2,356,186)
Proceeds from loans granted to subsidiaries		550,186	2,245,500
Net Cash flow used in investing activities		**(1,726,445)**	**(118,216)**
Cash flows from financing activities			
Dividends paid to non-controlling interests		(147,792)	(183,121)
Proceeds from loans granted by related parties		3,000,000	1,745,505
Repayments of loans granted by related parties		(400,000)	(2,238,649)
Interest paid on loans		(244,953)	(6,284)
Net Cash generated / (used) in financing activities		**2,207,255**	**(682,549)**
Increase / (decrease) in cash and cash equivalents		**1,019,823**	**(372,367)**
Cash and cash equivalents at beginning of the year	16	296,040	680,487
Foreign exchange gain / (loss)		2,517	(12,080)
Cash and cash equivalents at end of the year	16	1,318,380	296,040

The notes on pages 22 to 60 form an integral part of these financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 Company for the year from 1 January 2012 to 31 December 2012.

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.

Change of investment objective and policy of the Company

Following the annual general meeting of the Company on 14 December 2012, the investment objective and policy of the Company was amended such that no new investments will be made, further investments into existing portfolio companies will be permitted in certain circumstances pending their realization and, following each realization, all proceeds will be returned to Shareholders after paying outstanding liabilities and setting aside a sufficient amount for working capital purposes.

2. Prior Year Adjustment

The prior year adjustment represent amendments made to the financial statements of the Company following the early adoption by the Company of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint arrangements”, IFRS 12 “Disclosure of Interests in Other Entities” and amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities. The early adoption of these standards and amendments requires that the Company present consolidated financial statements but exempts investment entities from consolidation. The introduction of this standard affects the consolidated statements of financial position and changes in equity for the periods from 1 January 2011 and consolidated statement of comprehensive income for the period ended 31 December 2011. The change was accounted for retrospectively in accordance with the provisions of the amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities.

3. Principal accounting policies

3.1 Basis of preparation

These consolidated financial statements represent the first annual financial statements of the Company and its subsidiaries prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). For the periods before 31 December 2011, the Company prepared its consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. The Company adopted IFRS in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The first date at which IFRS was applied was 1 January 2012. In accordance with IFRS, the Company has:

- Provided comparative financial information;
- Applied the same accounting policies throughout all periods presented;
- Retrospectively applied all effective IFRS standards as of 1 January 2011, as required; and

3. Principal accounting policies *(Continued)*

3.1 Basis of preparation *(Continued)*

- Applied certain mandatory exceptions as applicable for first time IFRS adopters.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss and under the going concern assumption.

Following the annual general meeting of the Company on 14 December 2012, the life of the Company was extended for at least two years, further extension will be discussed at the annual general meeting in 2014.
The Directors have reasonable expectations and are satisfied that the Company has adequate resources to continue its operations and meet its commitments for the foreseeable future and they continue to adopt the going concern basis of preparation of the consolidated financial statements.

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

3.2 Adoption of new and revised IFRSs

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

New Standards

- IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014). This has been early adopted by the Company.
- IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014). This has been early adopted by the Company.
- IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2014. This has been early adopted by the Company.
- IFRS 13, "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27, "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014). This has been early adopted by the Company.
- IAS 28, "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2014). This has been early adopted by the Company.
- IFRS 9, "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).

Amendments

- Amendment to IAS 12 "Income Taxes" on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standards" on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items or Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013).

3. Principal accounting policies *(Continued)*

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

- Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Annual Improvements 2011 (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 10, IFRS 11 and IFRS 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014). This has been early adopted by the Company.

The Board of Directors expects that the adoption or early adoption of these accounting standards in the current year or future periods will not have a material effect on the financial statements of the Company with the exception of the following:

- IFRS 10, "Consolidated Financial Statements". IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is effective for annual periods beginning on or after January 2014 but has been early adopted by the Company for the year ended 31 December 2012.
- IFRS 12, "Disclosures of Interests in Other Entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2014 but has been early adopted by the Company for the year ended 31 December 2012.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Joint Arrangements" and IAS 27 "Separate Financial Statements". These amendments will particularly benefit private equity funds, as those that qualify will fair-value all of their investments, including those that are controlled. The guidance applies to an "investment entity". The amendments to IFRS 10 defines an investment entity and introduces an exception from consolidation. The amendments to IFRS 12 also introduce disclosures that an investment entity needs to make. The amendments apply for annual periods beginning on or after 1 January 2014, but has been early adopted by the Company for the year ended 31 December 2012.

By early adopting IFRS 10 "Consolidated Financial Statements", IFRS 11, "Joint Arrangements" and IFRS 12, "Disclosures of Interests in Other Entities", the Company has complied with the criteria of an "Investment Entity" as defined in IFRS 10. As a result, this provides an exemption from consolidation of some subsidiaries which are instead valued at fair value through profit and loss in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Please refer to Note 3.4 for further information.

The early adoption by the Company of IFRS 10 "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12 "Disclosures of Interests in Other Entities" and amendments to IFRS 10, IFRS 12 and IAS 27 have had a material effect on the accounting policies of the Company and has resulted in prior year adjustments (refer to Note 2) in accordance with the provisions of the amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities.

3. Principal accounting policies *(Continued)*

3.3 Revenue recognition

Revenue is wholly attributable to the principal activities of the Company and its subsidiaries. The Company's principal activities are the holding and managing of investments.

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.

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

3.4 Basis of consolidation

3.4 a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights and which are not classified as an investment entity under amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation of investment entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies, etc.

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

Investment entities are entities (including special purpose entities) which the Company has invested in and have the following typical characteristics:

- More than one investment
- More than one investor
- Investors are not related parties of the entity
- The Company holds equity interests or similar interests

An entity qualifying as an investment entity is required to be measured at fair value through profit or loss in accordance with IAS 39 "Financial Instruments: Recognition and Measurement. An investment entity is exempt from consolidation on the date it meets the classification of an investment entity, although the exemption ceases when the investment entity no longer qualifies. The only exception is for subsidiaries that provide services relating to the same investment activities which are consolidated.
The disclosure requirements for interests in subsidiaries are specified in IFRS 12. An investment entity need not present consolidated financial statements if it is required, to measure all of its subsidiaries at fair value through profit or loss. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IAS 39.

3. Principal accounting policies *(Continued)*

3.4 Basis of consolidation *(Continued)*

3.4 a) Subsidiaries *(Continued)*

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

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

3.4 b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.4 c) Investments in associates

An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, 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 Company’s investment portfolio are carried at fair value even though the Company may have significant influence over those companies. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the profit or loss in the period in which they arise.

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

3.5 Foreign currency translation

3.5 a) Functional and presentational currency

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

3. Principal accounting policies *(Continued)*

3.5 Foreign currency translation *(Continued)*

3.5 b) Transactions and balances

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

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

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

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

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

3.5 c) Group companies

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

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

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

3.6 Operating Segments

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

3.7 Financial Assets

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

3. Principal accounting policies *(Continued)*

3.7 Financial Assets *(Continued)*

3.7 a) Investments at fair value through profit or loss

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

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

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 the trade date, which is the date on which the company commits to purchase or sell the asset.

3.7 b) Loans and receivables

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

3.8 Cash and cash equivalents

Cash and cash equivalents include cash in bank and short-term highly liquid investments. Highly liquid investments readily convertible to known amounts of cash which are in a currency different from the functional currency are included in the Statement of Financial Position at the functional currency using the exchange rate at the reporting date.
Bank overdrafts are not considered to be an integral part of cash management therefore they are not included under cash and cash equivalents.

3.9 Trade Receivables

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

3. Principal accounting policies *(Continued)*

3.10 Financial liabilities

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

3.10 a) Trade payables

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

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

3.10 b) Borrowings

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

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

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

3.11 IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

3.12 Equity

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

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

3. Principal accounting policies *(Continued)*

3.13 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.14 Dividends

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

3.15 Leased assets

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

3.16 Property, plant and equipment

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

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

The depreciation rates used by the Company are:

Computer hardware and software	-	33% per annum straight line
Office equipment	-	33% per annum straight line

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

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

3. Principal accounting policies *(Continued)*

3.17 a) Pensions

New Europe Capital Ltd, a subsidiary, makes payments to a pension scheme for an employee. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of comprehensive income.

3.17 b) Employee benefits

Wages, salaries, paid annual leave and sick leave and bonuses are recognized as staff costs and accrued when the associated services are rendered by the employees of New Europe Capital Ltd.

4. Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The fair value of balances for which estimates and assumptions have been made as at 31 December 2012 were as follows:

	31-Dec-12	**31-Dec-11**
	EUR	**EUR**
Unlisted equity securities *(Note 14)*	37,086,401	84,565,361
Loans receivable *(Note 15)*	3,926,668	2,834,728

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

(i) Functional currency

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

(ii) Fair value of financial instruments

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

(iii) Unlisted equity securities (Note 14)

The fair value of unlisted equity securities has been determined by independent valuers using DCF analysis. The DCF analysis is based on the investee company's management business plans for the period 2013-2017. The valuation methodology applied by the independent valuers is consistent with the International Financial Reporting Standards (IFRSs) and the International Valuation Standards (IVS).

The critical assumptions applied in the valuations are noted in Note 25.

(iv) Impairment of unlisted equity securities

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

Management has assessed the fair value of unlisted equity investments at 31 December 2012 and consequently the amount of EUR 47.5 million (2011: EUR 8.1 million) was written off in the profit or loss (Note 14).

4. Critical accounting estimates and assumptions *(Continued)*

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

(v) Provision for impairment of loans receivable
The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the party accounts, the party's credit worthiness and the historic write-off experience. Changes to the estimated impairment charge may be required if the financial condition of the counter party was to improve or deteriorate.

5. First-time adoption of IFRS

These consolidated financial statements are the Company's first annual financial statements that comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company's and its subsidiaries' transition date is 1 January 2012. Subject to certain exceptions, IFRS 1 requires retrospective application of the version of standards and interpretations effective for the year ended 31 December 2012. This version of standards and interpretations was applied in preparing the opening IFRS consolidated statement of financial position at 1 January 2011 and in subsequent periods up to the end of the first IFRS reporting period. In preparing these consolidated financial statements the Company has applied the mandatory exceptions from retrospective application:

a) Derecognition of financial assets and liabilities exception:
Financial assets and liabilities derecognised before 1 January 2011 are not re-recognised under IFRS. Management did not choose to apply the IAS 39 derecognition criteria from an earlier date.
b) Estimates exception:
Estimates made under IFRS as issued by IASB at the date of transition to IFRS should be consistent with estimates made for the same dates under previous IFRS as endorsed by the European Union (the "EU"), unless there is evidence that those estimates were in error.

The following reconciliations provide a quantification of the effect of the transition of the Group to IFRS, as issued by the IASB at 31 December 2011 and 1 January 2011:

	31-Dec-11	**01-Jan-11**
	EUR	**EUR**
Net assets under IFRS as endorsed by EU	84,068,513	100,319,461
Effects of changes in accounting policies*:		
Total non-current assets	47,615,834	3,715,405
Total current assets	(126,767,741)	(541,550)
Total current liabilities	87,246,250	2,441,927
Total non-current liabilities	920,433	1,911,000
Net assets under IFRS as issued by IASB	93,083,289	107,846,243
Equity under IFRS as endorsed by EU	84,068,513	100,319,461
Effects of changes in accounting policies*:		
Retained earnings	10,025,766	9,061,340
Foreign exchange reserve	1,614,228	1,609,905
Minority interest	(2,625,218)	(3,144,463)
Total equity under IFRS as issued by IASB	93,083,289	107,846,243

5. First-time adoption of IFRS *(Continued)*

	2011
	EUR
Net comprehensive loss under IFRS as endorsed by EU	(16,067,827)
Effects of changes in accounting policies*:	
Income	(7,220,395)
Expenses	8,749,104
Other comprehensive income	(40,715)
Total comprehensive loss under IFRS as issued by IASB	**(14,579,833)**

	31-Dec-11
	EUR
Basic and diluted earnings per share attributable to the equity shareholders of the Company as endorsed by EU	(0.1573)
Effects of changes in accounting policies*:	
Exemption from consolidation of subsidiaries	(0.0096)
Total basic and diluted earnings per share attributable to the equity shareholders of the Company under IFRS under IASB	**(0.1477)**

	31-Dec-11
	EUR
Decrease in cash and cash equivalents under IFRS as endorsed by EU	(276,143)
Effects of changes in accounting policies*:	
Net cash generated by operating activities	(802,186)
Net cash used in investing activities	480,216
Net cash used in financing activities	225,746
Decrease in cash and cash equivalents under IFRS as issued by IASB	**(372,367)**

* Due to the early adoption of amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, and following such adopting, the Company complying with the criteria to be classified as an “Investment Entity” as defined under IFRS 10 the following subsidiaries are exempt from consolidation:

- Top Factoring SRL
- Glasro Holdings Limited
- Mamaia Resort Hotels SRL
- East Point Holdings Limited

As a result of this, the above mentioned subsidiaries are measured at fair value through profit or loss in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” rather than being consolidated in line with previous years.

6. Loss on investments at fair value through profit or loss account

	31-Dec-12	31-Dec-11 As restated
	EUR	EUR
Loss on investments at fair value through profit or loss	(49,389,415)	(11,876,866)
	(49,389,415)	**(11,876,866)**

7. Operating expenditure

	31-Dec-12	31-Dec-11 As restated
	EUR	EUR
Investment Management /Advisory fees (Note 24)	1,637,143	1,846,863
Other fees	273,764	308,585
General administrative expenses incurred wholly and exclusively by the Company's subsidiary New Europe Capital Ltd	193,771	222,059
Administration and custodian fees	180,000	180,000
Directors' fees	149,479	160,000
Loan arrangement fees	90,000	15,335
Audit fees	87,712	140,925
Consultancy fees	81,398	24,037
Legal and professional fees	38,178	87,575
Insurance premium	15,500	20,017
Rental of assets – operating leases	14,796	13,831
Depreciation (Note 11)	3,243	2,258
	2,764,984	**3,021,485**

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 invoiced 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.

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 1,637,143 (2011: EUR 1,846,863). See Note 24 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 (2011: nil).

7. Operating expenditure *(Continued)*

Administrator and Custodian fees
The current administrator and custodian, Sanne Trust Company Limited, receives a fixed monthly fee, payable quarterly in arrears. The administration and custodian fee included in the profit or loss is EUR 180,000 (2011: EUR 180,000). An amount of EUR 44,694 was outstanding at the year-end (2011: EUR 67,070).

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

	2012	2011
	EUR	EUR
Howard I. Golden	40,000	40,000
Ion Alexander Florescu	30,000	30,000
Franklin Pitcher Johnson Jr. (resigned 31 March 2012)	7,397	30,000
Markus Winkler	30,000	30,000
Dirk Van den Broeck	30,000	30,000
Robert Petch (appointed 6 August 2012)	12,082	-
	149,479	**160,000**

In addition, the Directors were also entitled to be reimbursed for their reasonable out of pocket expenses incurred in discharging their duties as Directors. During the current and prior years, 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 71,642, which included EUR 24,665 of pension benefits (2011: EUR 117,063, which included EUR 23,866 of pension benefits).

8. Financial expenses

	31-Dec-12	31-Dec-11
	EUR	EUR
Interest expense	612,149	32,127
	612,149	**32,127**

During the years ended 31 December, the Company incurred interest on the following loans:

	31-Dec-12	31-Dec-11
	EUR	EUR
Loan from the Directors of the Company	215,075	-
Loan from Northview Investment Fund Limited	213,389	25,842
Loan from Tidal Wave Trading Limited	-	6,285
Investment Management / Advisory fee interest (Note 24)	183,685	-
	612,149	**32,127**

Investment Management / Advisory fee interest
On 31 October 2011, the Directors of the Company resolved to accrue interest at a rate of 10% per annum on all outstanding investment management and investment advisory fees outstanding for more than one month. The interest charge included in the consolidated statement of comprehensive income relating to overdue investment management and investment advisory fees is EUR 183,685 (2011: nil).

9. Income tax expense

	31-Dec-12	31-Dec-11
	EUR	EUR
Current tax on profit for the year	71,621	67,915
Withholding tax	112	2,968
Tax on profit on ordinary activities	**71,733**	**70,883**

9. Income tax expense *(continued)*

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

	31-Dec-12	**31-Dec-11**
	EUR	**EUR**
Loss before taxation	(53,181,064)	(14,521,655)
Expected tax charge based on the standard rate of corporation tax in the Cayman Islands of 0%	-	-
Effect of:		
Foreign tax - UK Corporation tax	67,451	70,883
Foreign tax - Romanian Corporation tax	4,282	-
Tax on profit on ordinary activities	**71,733**	**70,883**

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 and Georok Holdings Ltd are all incorporated in Cyprus and are subject to Cyprus tax rate of 10% up to 31 December 2012 and at the rate of 12.5% from 1 January 2013. A tax charge of EUR nil has been recognised for the financial year in respect of both RC2 (Cyprus) Ltd and Georok Holdings Ltd (2011: nil and nil respectively).

RC2 (Cyprus) Imobiliara SRL, is incorporated in Romania and is subject to Romanian corporation tax at 16%. A tax charge of EUR 4,282, has been recognised for the financial year (2011: nil).

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.

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

11. Property, plant and equipment

At 1 January 2011 – as restated	Office Equipment EUR	Computer hardware and software EUR	Total EUR
Cost or valuation	1,895	25,890	27,785
Accumulated depreciation	(360)	(24,910)	(25,270)
Net book amount	**1,535**	**980**	**2,515**
Year ended 31 December 2011 – as restated			
Opening net book amount	**1,535**	**980**	**2,515**
Additions	6,246	1,284	7,530
Depreciation charge	(997)	(1,261)	(2,258)
Translation differences	45	30	75
Closing net book amount	**6,829**	**1,033**	**7,862**

At 31 December 2011 – as restated	Office Equipment EUR	Computer hardware and software EUR	Total EUR
Cost or valuation	8,196	27,930	36,126
Accumulated depreciation	(1,367)	(26,897)	(28,264)
Net book amount	**6,829**	**1,033**	**7,862**
Year ended 31 December 2012			
Opening net book amount	**6,829**	**1,033**	**7,862**
Additions	8,631	-	8,631
Depreciation charge	(2,804)	(439)	(3,243)
Translation differences	180	28	208
Closing net book amount	**12,836**	**622**	**13,458**
At 31 December 2012			
Cost or valuation	17,044	28,670	45,714
Accumulated depreciation	(4,208)	(28,048)	(32,256)
Net book amount	**12,836**	**622**	**13,458**

12. Subsidiaries

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

	Country of incorporation	Proportion of ownership interest
RC2 (Cyprus) Ltd	Cyprus	100%
Georok Holdings Ltd (Dormant Company)	Cyprus	100%
RC2 (Cyprus) Imobiliara SRL (Dormant Company)	Romania	99%
New Europe Capital Ltd	Great Britain	7.5%

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.

On 23 April 2012, the Company sold 7.7% of its holding in Glasro Holding Limited to Riffcast Holdings Limited, a company owned by a key member of the management personnel of Top Factoring S.R.L., for a consideration of EUR 5,000.

The following subsidiaries of Reconstruction Capital II Ltd are exempt from consolidation under the requirements of amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities:

	Registered Office	Proportion of ownership interest 31-Dec-12	Proportion of ownership interest 31-Dec-11	Proportion of ownership interest 31-Dec-10
Top Factoring SRL	Romania	92%	92%	92%
Glasro Holdings Ltd	Cyprus	92%	100%	100%
Mamaia Resort Hotels SRL	Romania	63%	63%	63%
East Point Holdings Limited	Cyprus	63%	63%	42%

13. Associates

The following entities are classified as associates of Reconstruction Capital II Limited as at 31 December:

	Registered Office	Net equity as at 31-Dec-12 EUR (000's)	Results as at year ended 31-Dec-12 EUR (000's)	Net equity as at 31-Dec-11 EUR (000's)	Results as at year ended 31-Dec-11 EUR (000's)
S.C. Policolor S.A.	Romania	52,452	(928)	55,408	(1,784)
Klas d.o.o	Serbia	6,032	(7,656)	13,808	(1,033)
S.C. Albalact S.A.	Romania	21,913	1,647	20,242	1,297

S.C. Policolor S.A. operates in the paints and coatings industry in Romania. The Company's portion of ownership as at 31 December 2012 was 40% (2011: 40%, 1-Jan-11: 40%)

Klas d.o.o. operates in the bakery industry in Serbia. The Company's portion of ownership as at 31 December 2012 was 11% (2011: 11%, 1-Jan-2011: 11%). The results of Klas d.o.o. are measured upon local generally accepted accounting principles.

S.C. Albalact S.A. operates in the dairy industry in Romania. The Company's portion of ownership as at 31 December 2012 was 25% (2011: 25%, 1-Jan-11: 25%). The results of S.C. Albalact S.A. are measured upon locally generally accepted accounting principles.

14. Financial assets

	31-Dec-12	31-Dec-11 As restated	01-Jan-11 As restated
Non-current investments	**EUR**	**EUR**	**EUR**
Unlisted equity securities	37,086,401	84,565,360	89,941,654
Listed equity securities	4,954,699	6,724,001	9,597,473
	42,041,100	**91,289,361**	**99,539,127**
Cost	92,775,514	93,100,563	94,418,819
Unrealised (loss) / gain on investments	(50,734,414)	(1,811,202)	5,120,308
Fair value of the non-current investments	**42,041,100**	**91,289,361**	**99,539,127**
Current investments			
Listed equity securities	456,773	1,970,473	3,711,882
Total financial assets at fair value through profit or loss	**456,773**	**1,970,473**	**3,711,882**
Cost	7,608,658	9,505,523	11,945,795
Unrealised loss on investments	(7,151,885)	(7,535,050)	(8,233,913)
Fair value of the current investments	**456,773**	**1,970,473**	**3,711,882**

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

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

During the year ended 31 December 2012, the Company had reviewed the carrying value of unlisted equity securities held at fair value in the profit or loss account resulting in a loss on revaluation of EUR 47.5 million (2011: EUR 8.1 million) (see Note 4).

15. Loans receivable

	31-Dec-12	31-Dec-11 As restated	01-Jan-11 As restated
	EUR	**EUR**	**EUR**
Loans to subsidiaries and related entities (Note 24)	3,926,668	2,519,542	2,652,200
Loans to other related parties (Note 24)	-	315,186	-
Total Loans	**3,926,668**	**2,834,728**	**2,652,200**
Amount due for settlement within 12 months	3,366,167	2,283,833	2,245,500
Amount due for settlement after 12 months	560,501	550,895	406,700

15. Loans receivable *(continued)*

The principle features of the Company's loan receivables are as follows:

The Company has the following related party loans receivable:

a. Loans to Mamaia Resort Hotels S.R.L. were granted during 2009 and 2011 in order to finance its working capital needs, in the total sum of EUR 465,753. The loans bear interest of 6.5% and 9% (2011: 9%). All interest is repayable on maturity.

   A total of EUR 560,501 was outstanding at 31 December 2012, all of which has been classified as due to be settled after 12 months (2011: EUR 550,895, 01-Jan-11: EUR 406,700).

   The fair value of the loans receivable from Mamaia Resort Hotels S.R.L. are estimated to equal their carrying value as at 31 December 2012.

b. Loans to East Point Metals Limited were granted during 2012 in order to finance its working capital needs, in the total sum of EUR 1,764,000. The loans bear interest of 9% (2011: nil). All interest is repayable on maturity.

   A total of EUR 1,886,286 was outstanding at 31 December 2012, all of which has been classified as due to be settled within 12 months (2011: nil, 01-Jan-11: nil).

   The fair value of the loans receivable from East Point Metals Limited was judged to be impaired by 50% as at 31 December 2012. As a result, the total amount receivable from East Point Metals Limited was impaired by EUR 943,143, with the loan being valued at EUR 943,143.

c. Loans to Klas DOO were assigned to the Company during 2011 in order to finance its working capital needs in the total sum of EUR 2,210,000 (2011: EUR 1,706,000, 01-Jan-11: nil). The loans bear interest of 9% (2011: 9%). All interest is repayable on maturity.

   A total of EUR 2,423,024 was outstanding at 31 December 2012, all of which has been classified as due to be settled within 12 months (2011: EUR 1,731,058, 01-Jan-11: nil).

   The fair value of the loans receivable from Klas DOO are estimated to equal their carrying value as at 31 December 2012.

d. A loan to Glasro Holdings Ltd was granted during 2011 in order to finance the purchase of a debt package, in the sum of EUR 280,000. The loan bore interest of 6% (2011: 6%). All interest was repaid on maturity.

   A total of nil was outstanding at 31 December 2012 (2011: EUR 237,588, 01-Jan-11: nil).

15. Loans receivable *(continued)*

e. On 2 November 2010, the Company purchased 14,970 shares in East Point Metals Ltd for a sum of EUR 2,245,500. At the same time, the Company also entered into an Option Agreement with the other shareholder of East Point Metals Ltd to purchase an additional 3,930 shares in the amount of EUR 589,500. On 11 January 2011 this option was taken up.

On 30 April 2011 the entire holding of shares was sold back to the other shareholder of East Point Metals Ltd.

As a result of these transactions, the investment was accounted for as a loan to East Point Metals Ltd with the subsequent gain on investment disposal, realised in 2011, in the amount of EUR 53,249, treated as interest income.

16. Trade and other receivables

	31-Dec-12	31-Dec-11	01-Jan-11
		As restated	As restated
	EUR	EUR	EUR
Trade and other receivables	241,146	174,829	4,117,149
Prepayments	36,631	12,683	16,173
	277,777	**187,512**	**4,133,322**

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

As at 1 January 2011, EUR 3,817,539 of trade and other receivables related to an amount receivable following the sale of a non-current financial asset. The full amount was received by the Company on 11 January 2011.

17. Cash and cash equivalents

	31-Dec-12	31-Dec-11	01-Jan-11
		As restated	As restated
	EUR	EUR	EUR
Cash and cash equivalents	1,318,380	296,040	680,487

18. Trade and other payables

	31-Dec-12	31-Dec-11	01-Jan-11
		As restated	As restated
	EUR	EUR	EUR
Trade payables	60,297	22,444	5,444
Other payables and accruals	3,694,180	1,655,928	619,274
	3,754,477	**1,678,372**	**624,718**

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

19. Borrowings

	31-Dec-12	31-Dec-11	01-Jan-11
		As restated	As restated
	EUR	EUR	EUR
Secured and unsecured borrowing at amortised cost			
Loans from directors	1,539,814	1,771,348	-
Loans from shareholders	3,002,056	-	-
Loan from other related parties	-	-	2,238,649
Total borrowings	**4,541,870**	**1,771,348**	**2,238,649**
Amount due for settlement within 1 year	1,541,870	968,948	2,238,649
Amount due for settlement in 1 – 2 years	3,000,000	802,400	-

The Company has the following related party loans:

a. An unsecured bridging loan from certain directors of the Company was granted on 29 September 2011 in the sum of EUR 950,000, of which EUR 400,000 has been repaid. The loan has a 1% arrangement fee and bears interest of 8% if repaid within 6 months, 9% if repaid within 9 months or 10% if repaid after 9 months, or an interest rate of the same effective rate as the loan provided by Northview Investment Fund Ltd (as at 31 December 2012: 14.6%) if repaid after 12 months. All interest is repayable on maturity.

   A total of EUR 628,153 was outstanding at 31 December 2012, all of which has been classified as due to be settled within 12 months (2011: EUR 968,948, 01-Jan-11: nil).

   The fair value of the loan payable to the directors of the Company was estimated to equal its carrying value as at 31 December 2012.

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

   A total of EUR 911,661 was outstanding at 31 December 2012, all of which has been classified as due to be settled after 12 months (2011: EUR 802,400, 01-Jan-11: nil).

   The fair value of the loan payable to the directors of the Company was estimated to equal its carrying value as at 31 December 2012.

19. Borrowings *(Continued)*

c. A secured loan of EUR 3,000,000 had been provided by Northview Investment Fund Limited, a shareholder in the Company. The terms of the loan include a 2% arrangement fee and an interest rate accruing on each drawdown amount from the date of drawdown of 14% if repaid within 6 months, 16% if repaid within 12 months, and 18% if repaid within 18 months. All interest is repayable on maturity. Security was held over the following assets, registered in the name of the Company or its subsidiaries:

   - 52.67% of the share capital of East Point Holdings Limited;
   - 92.3077% of the share capital of Top Factoring SRL;
   - 63.0137% of the share capital of Mamaia Resort Hotels SRL; and
   - 40% of the share capital of Policolor SA.

   A total of EUR 3,002,056 was outstanding at 31 December 2012, of which EUR 2,056 has been classified as due to be settled within 12 months (2011: EUR nil), and EUR 3,000,000 has been classified as due to be settled after 12 months (2011: nil, 01-Jan-11: nil).

   The fair value of the loan payable to Northview Investment Fund Limited was estimated to equal its carrying value as at 31 December 2012.

d. An unsecured loan of EUR 2,205,000 had been provided by Tidal Wave Trading Limited, a company in which directors of the Company are also shareholders. The terms of the loan include a 1% arrangement fee and an interest rate of 8% per annum. All interest was repaid on maturity.

20. 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-12**	**31-Dec-11**	**01-Jan-11**
GBP	1.2330	1.2012	1.1671
USD	0.7585	0.7704	0.7454
RON	0.2250	0.2312	0.2356
BGN	0.5114	0.5112	0.5113
RSD	0.0089	0.0094	0.0094

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

	31-Dec-12	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
Net assets (excluding non-controlling interest)	39,331,143	92,723,143	107,492,336
Number of shares	100,000,000	100,000,000	100,000,000
Net Asset Value per share	0.3933	0.9272	1.0749

22. Commitments under operating leases

As at 31 December 2012, the Company had annual commitments under non-cancellable operating leases as set out below:

	31-Dec-12	31-Dec-11
		As restated
	EUR	EUR
Operating leases which expire:		
Within two to five years	14,796	14,414
	14,796	**14,414**

23. Pledges and guarantees

During the year ended 31 December 2012, the Company had provided a pledge to Northview Investment Fund Limited, a shareholder in the Company, in relation to a secured loan provided to the Company in the amount of EUR 3,000,000. Security for this loan was held over the following assets, registered in the name of the Company or its subsidiaries:

- 52.67% of the share capital of East Point Holdings Limited;
- 92.3077% of the share capital of Top Factoring SRL;
- 63.0137% of the share capital of Mamaia Resort Hotels SRL; and
- 40% of the share capital of Policolor SA.

Please refer to Note 19c for further details.

The Company also provided a pledge to Raiffeisen Bank SA in relation to a secured loan provided to Glasro Holdings Limited, a subsidiary of the Company, in the amount of EUR 4,000,000. Security for this loan was held over the following assets, registered in the name of the Company or its subsidiaries:

- 83,050,239 shares in SC Albalact SA
- 17,701,300 shares in SC Turbomecanica SA

24. 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 2,072,333 (2011: EUR 2,367,773). Total fees outstanding as at 31 December 2012 were EUR 3,165,647 (2011: EUR 1,381,397).

Investment Management and Advisory fees	31-Dec-12	31-Dec-11	01-Jan-11
		As restated	As restated
	EUR	EUR	EUR
New Europe Capital Ltd *	435,190	520,910	344,169
New Europe Capital SRL**	953,273	1,089,176	1,491,398
New Europe Capital DOO**	683,870	757,687	458,892
	2,072,333	**2,367,773**	**2,294,459**

24. Related-party transactions *(Continued)*

Outstanding Amounts	**31-Dec-12**	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
New Europe Capital Ltd *	435,190	133,197	29,490
New Europe Capital SRL**	1,598,086	735,340	380,921
New Europe Capital DOO**	1,132,371	512,860	77,397
	3,165,647	**1,381,397**	**487,808**

The investment management and advisory fee is accrued and is payable monthly in arrears. There were no performance fees paid or payable in respect of 2012 or 2011.

Investment management and advisory fees which are unpaid for over a month attract an interest of 10% (2011: nil) on the entire balance. Refer to Note 7 for further details.

Interest charged on outstanding amounts	**31-Dec-12**	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
New Europe Capital Ltd *	23,955	-	-
New Europe Capital SRL**	108,352	-	-
New Europe Capital DOO**	75,333	-	-
	207,640	**-**	**-**

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

Loans receivable from related parties	**31-Dec-12**	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
Loans to subsidiaries and related entities	3,926,668	2,519,542	2,652,200
Loans to other related parties	-	315,186	-
	3,926,668	2,834,728	2,652,200

For details on the loans receivable from related parties, please refer to Note 15.

Trade and other payables to related parties	**31-Dec-12**	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
Investment management and advisory fees	2,730,457	1,248,200	458,318
Interest on investment management and advisory fees	183,685	-	-
Directors fees	279,479	129,562	-
	3,193,621	1,377,762	458,318

For details on the trade and other payables to related parties, please refer to Note 18.

24. Related-party transactions *(continued)*

Loans payable to related parties	**31-Dec-12**	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
Loans from directors	1,539,814	1,771,348	2,238,649
Loans from shareholders	3,002,056	-	-
	4,541,870	1,771,348	2,238,649

For details on the loans payable, please refer to Note 19.

Disposal of investment in subsidiary undertaking
On 23 April 2012, the Company sold 7.7% of its holding in Glasro Holding Limited to Riffcast Holdings Limited, a company owned by a key member of the management personnel of Top Factoring S.R.L., for a consideration of EUR 5,000.

25. Financial Instruments

Risk management objectives and policies
The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company'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 Company is exposed are set out below.

Credit risk
The Company is exposed to credit risk as a result of holding cash balances, trade receivables and loans receivable. The maximum exposure to credit risk on 31 December is:

	31-Dec-12	**31-Dec-11**	**01-Jan-11**
		As restated	**As restated**
	EUR	**EUR**	**EUR**
Loan receivables	3,926,668	2,834,728	2,652,200
Trade and other receivables	277,777	187,512	4,133,322
Cash and cash equivalents	1,318,380	296,040	680,487
	5,522,825	3,318,280	7,466,009

Trade receivables, loans receivable and cash are classified as loans and receivables so the total credit risk exposure to loans and receivables is EUR 5,522,825 (2011: EUR 3,318,280, 1-Jan-11: EUR 7,466,009).

The loan receivable amount of EUR 3,926,668 (2011: EUR 2,834,728, 1-Jan-11: EUR 2,652,200) includes loans and accrued interest in the total amount of EUR 1,886,286 to East Point Metals Limited which had been impaired by 50% as at 31 December 2012 (refer to Note 15(b) for further information). No other loan receivable balance was past due or impaired, nor were there any reasons to believe that the remaining balance of EUR 2,040,383 will not be fully recovered.
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 277,777 (2011: EUR 187,512, 1-Jan-11: EUR 4,133,322) will not be fully recovered.
The Company's cash is held with regional and foreign banks and is diversified appropriately. The rating of the banks where the Company 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'.

25. Financial Instruments *(Continued)*

Cash and cash equivalents

Rating	**Rating Agency**	**31-Dec -12**	**31-Dec-11 As restated**
		EUR	**EUR**
Aaa	Moody's	1,136,045	399
Aa2	Moody's	-	206,192
A1 / A+	Moody's / Standard & Poor's	-	10,838
A2 / A	Moody's / Standard & Poor's	-	75,453
A3	Moody's	173,428	-
Baa3	Moody's	8,286	2,083
Ba2	Moody's	-	1,075
Other with no external rating		621	-
		1,318,380	296,040

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

Market risk

The Company 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 Company holds assets denominated in GBP, USD, 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 Company'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.

25. Financial Instruments *(Continued)*

Foreign currency risks *(Continued)*
The Company is unlikely to hedge currency risks or the risk of fluctuations in the value of the assets of the Company 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 Company 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 Company's exposure to currency risks:

All amounts stated in Euro **31-Dec-12**	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
GBP	403,074	(538,258)	(135,184)
USD	672	(911,661)	(910,989)
RON	7,111	-	7,111
	410,857	(1,449,919)	(1,039,062)

All amounts stated in Euro **31-Dec-11 – As restated**	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
GBP	127,487	(233,041)	(105,554)
USD	685	(802,400)	(801,715)
RON	719	-	719
BGN	615	-	615
	129,506	(1,035,441)	(905,935)

All amounts stated in Euro **01-Jan-11 – As restated**	**Monetary Assets**	**Monetary liabilities**	**Net exposure**
GBP	461,263	(110,418)	350,845
USD	216	-	216
RON	365,265	-	365,265
RSD	217	-	217
	826,961	(110,418)	716,543

At 31 December, had the exchange rates between the Euro and all other currencies increased by 5%, with all other variables held constant, the effect on post-tax profit/(loss) and equity would be as follows:

31-Dec-12	**EUR**	**31-Dec-11 – As restated**	**EUR**	**01 Jan-11 – As restated**	**EUR**
GBP	(6,759)	GBP	(5,278)	GBP	17,542
USD	(45,549)	USD	(40,086)	USD	11
RON	356	RON	36	RON	18,263
BGN	-	BGN	31	BGN	-
RSD	-	RSD	-	RSD	11
	(51,952)		**(45,297)**		**35,827**

A 5% decrease in the exchange rates would have had an equal but opposite effect on the post-tax profit/(loss) and equity.

25. Financial Instruments *(Continued)*

Liquidity risk

Less liquid investments

The Bucharest Stock Exchange, the Bulgarian Stock Exchange and RASDAQ 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, the Bulgarian Stock Exchange and RASDAQ, anticipation of the investment of the Company's funds may adversely influence the price paid by the Company in purchasing securities for its portfolio and may affect the speed at which the Company can invest those proceeds.

This relative lack of liquidity may also make it difficult for the Company to effect an orderly disposal of an investment listed on the Bucharest Stock Exchange, the Bulgarian Stock Exchange, and the RASDAQ. 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 Company's contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

31-Dec-12	Less than 1 month EUR	Less than 1 year EUR	1 – 2 years EUR	No stated maturity EUR
Accrued expenses	3,693,820	-	-	360
Trade and other payables	60,297	-	-	-
Current loans and borrowings	628,153	1,482,089	-	-
Non-current loans and borrowings	-	-	3,149,425	-
	4,382,270	**1,482,089**	**3,149,425**	**360**

31-Dec-11 – As restated	Less than 1 month EUR	Less than 1 year EUR	1 – 2 years EUR	No stated maturity EUR
Accrued expenses	1,655,568	-	-	360
Trade and other payables	22,444	-	-	-
Current loans and borrowings	-	1,021,992	-	-
Non-current loans and borrowings	-	-	980,055	-
	1,678,012	**1,021,992**	**980,055**	**360**

01-Jan-11 – As restated	Less than 1 month EUR	Less than 1 year EUR	1 – 2 years EUR	No stated maturity EUR
Accrued expenses	618,914	-	-	360
Trade and other payables	5,444	-	-	-
Current loans and borrowings	-	2,260,880	-	-
Non-current loans and borrowings	-	-	-	-
	624,358	**2,260,880**	**-**	**360**

25. Financial Instruments *(Continued)*

Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing; as a result, the Company 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 Company to risk by holding cash with banks which have aggressive investment policies.

The Company 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 Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values.

	Interest Bearing		Non-interest
31-Dec-12	**Fixed**	**Floating**	**bearing**
	EUR	**EUR**	**EUR**
Loans receivable – non-current	465,753	-	94,748
Loans receivable – current	3,092,000	-	274,167
Trade and other receivables	-	-	277,777
Cash and cash equivalents	-	1,159,391	158,989
Total current assets	3,557,753	1,159,391	805,681
Trade and other payables	-	-	3,754,477
Loans and borrowings - current	1,333,304	-	208,566
Loans and borrowings – non-current	3,000,000	-	-
Total liabilities	4,333,304	-	3,963,043
Total interest sensitivity gap	**(775,551)**	**1,159,391**	**(3,157,362)**

	Interest Bearing		Non-interest
31-Dec-11 – As restated	**Fixed**	**Floating**	**bearing**
	EUR	**EUR**	**EUR**
Loans receivable – non-current	465,753	-	85,142
Loans receivable - current	2,256,186	-	27,647
Trade and other receivables	-	-	187,512
Cash and cash equivalents	-	277,244	18,796
Total current assets	2,721,939	277,244	319,097
Trade and other payables	-	-	1,678,372
Loans and borrowings - current	950,000	-	18,948
Loans and borrowings – non-current	795,505	-	6,895
Total liabilities	1,745,505	-	1,704,215
Total interest sensitivity gap	**976,434**	**277,244**	**(1,385,118)**

25. Financial Instruments *(Continued)*

Interest rate risk *(Continued)*

01-Jan -11 – As restated	**Interest Bearing Fixed EUR**	**Floating EUR**	**Non-interest bearing EUR**
Loans receivable – non-current	365,753	-	40,947
Loans receivable - current	2,245,500	-	-
Trade and other receivables	-	-	4,133,322
Cash and cash equivalents	663	672,763	7,061
Total current assets	2,611,916	672,763	4,181,330
Trade and other payables	-	-	624,718
Loans and borrowings - current	2,205,000	-	33,649
Loans and borrowings – non-current	-	-	-
Total liabilities	2,205,000	-	658,367
Total interest sensitivity gap	**406,916**	**672,763**	**3,522,963**

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 post-tax profit/loss and equity attributable to holders of ordinary shares would amount to approximately EUR 2,898 (2011: EUR 694). An increase in interest rates would have an equal and opposite effect on the post-tax profit/loss and equity attributable to holders of ordinary shares.

Should fixed interest rate loans have been based on the average 1 month EURIBOR rate during 2012, being 0.326% (2011: 1.179%) plus a margin of 0.25% (2011: 0.25%), with all other variables remaining constant, and the cash level remained constant during the year, the decrease in post-tax loss and equity attributable to holders of ordinary shares would amount to a loss of approximately EUR 103,544 (2011: profit of EUR 116,371).

Price risk

The Company 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 Company'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-12		**31-Dec-11 As restated**	
Investment assets	**EUR**	**Percentage of Net Assets**	**EUR**	**Percentage of Net Assets**
Listed equity investments	5,411,472	13%	8,694,474	9%

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 post-tax profit/loss would be 0.51% or EUR 270,574 (2011: 2.98% or EUR 434,724).

25. Financial Instruments *(Continued)*

Capital Management and procedures

The current Company 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 Company 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 a reduction in liabilities and the return of capital to shareholders.

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

The Company'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 4 of the Significant accounting policies section. For fair values of investments classified as level 3 (see below), the following assumptions apply:

<u>Policolor S.A.</u>

Policolor S.A. was valued by an independent valuer as at 31 December 2012. The major assumptions used in the valuation are as follows:

- Weighted average cost of capital of 11.2%
- A terminal value rate of 1.9%
- Revenue growth of between 3.9% - 13.8%
- EBITDA margin between 7.2% and 11.2%

As at 31 December 2012, if the projected revenue growth of Policolor S.A. rose or fell by 5% the effect from the corresponding change in the fair value of the investment would be reflected as follows in the consolidated financial statements of the Company:

- 5% rise: increase in the Company's total assets by 5.14% or EUR 2,470,508 and a decrease in the Company's post-tax loss by 4.64% or EUR 2,470,508;
- 5% decrease: decrease in the Company's total assets by 7.76% or EUR 3,729,380 and an increase in the Company's post-tax loss by 7.00% or EUR 3,729,380;

25. Financial Instruments *(Continued)*

Fair Value Information

East Point Holding Limited
East Point Holding Limited was valued by an independent valuer as at 31 December 2012. Due to worsening economic conditions and more limited access to financing, risk for some segments of East Point Holding Limited had increased. Consequently, the valuer has recommended that the investment in East Point Holding Limited be valued on a going-concern basis, but with an increased discount rate to reflect the higher risk.

The major assumptions used in the valuation are as follows:

- Discount rates of between 9.8% - 19.5%
- A terminal value rate of between 1.0% and 2.5%
- Revenue growth for each market segment:
  - Metals segment: 2% - 8.0%
  - Cables segment: 5.0% - 10.0%
  - Bakery segment: 1.9% - 5.9%
  - Milling segment: 1.0% - 1.5%
- EBITDA margin for each market segment:
  - Metals segment: 2.4% - 4.7%
  - Cables segment: (0.4%) – 5.6%
  - Bakery segment: (0.4%) – 10.6%
  - Milling segment: 8.4% - 11.2%

As at 31 December 2012, if the weighted average cost of capital for all business lines of East Point Holding Limited fell by 0.5%, the Company’s total assets would increase by 4.07% or EUR 1,953,000 and the Company’s post-tax loss would increase by 3.67% or EUR 1,953,000. A 0.5% increase in weighted average cost of capital for all business lines of East Point Holding Limited would have had an equal but opposite effect on the total assets and post-tax loss of the Company.

Klas D.o.o
Klas D.o.o was valued by an independent valuer as at 31 December 2012 as part of the valuations of East Point Holdings Limited. The major assumptions used in the valuation are as follows:

- Discount rate of 9.8%
- A terminal value rate of 1.0%
- Revenue growth of between 1.9% - 5.9%
- EBITDA margin between (0.4%) – 10.6%

As at 31 December 2012, if the weighted average cost of capital of Klas D.o.o increased or decreased by 0.5% the effect from the corresponding change on the fair value of the Company would be reflected as follows in the consolidated financial statements of the Company:

- 0.5% increase: decrease in the Company’s total assets by 0.14% or EUR 67,000 and an increase in the Company’s post-tax loss by 0.14% or EUR 67,000;
- 0.5% decrease: increase in the Company’s total assets by 0.11% or EUR 55,000 and a decrease in the Company’s post-tax loss by 0.10% or EUR 55,000;

25. Financial Instruments *(Continued)*

Fair Value Information *(Continued)*
Mamaia Resort Hotels S.R.L.
Mamaia Resort Hotels S.R.L. was valued by an independent valuer as at 31 December 2012. The major assumptions used in the valuation are as follows:

- Weighted average cost of capital of 10%
- A terminal value rate of 2.5%
- Revenue growth of between 5.0% - 6.1%
- EBITDA margin between 22.9% and 31.9%

As at 31 December 2012, if the projected revenue growth of Mamaia Resort Hotels S.R.L. rose or fell by 1% the effect from the corresponding change on the fair value of the investment would be reflected as follows in the consolidated financial statements of the Company:

- 1% rise: increase in the Company's total assets by 0.31% or EUR 150,000 and a decrease in the Company's post-tax loss by 0.28% or EUR 150,000;
- 1% decrease: decrease in the Company's total assets by 0.60% or EUR 290,000 and an increase in the Company's post-tax loss by 0.54% or EUR 290,000;

Top Factoring S.R.L and Glasro Holdings Limited
Top Factoring S.R.L and Glasro Holdings Limited were valued by an independent valuer as at 31 December 2012. The major assumptions used in the valuation are as follows:

- Weighted average cost of capital of 12.1%
- A terminal value shrinkage rate of (21%)
- Revenue (shrinkage) / growth of between (9.5%) – 20.6%
- EBITDA margin between 37% and 49%

As at 31 December 2012, if the projected revenue growth of Top Factoring S.R.L and Glasro Holdings Limited rose or fell by 5% the effect from the corresponding change on the fair value of the investment would be reflected as follows in the consolidated financial statements of the Company:

- 5% rise: increase in the Company's total assets by 1.73% or EUR 830,703 and a decrease in the Company's post-tax loss by 1.56% or EUR 830,703
- 5% decrease: decrease in the Company's total assets by 3.49% or EUR 1,675,952 and a decrease in the Company's post-tax loss by 3.15% or EUR 1,675,952

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.

25. Financial Instruments *(Continued)*

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

As at 31 December 2012

Assets	Total EUR	Level 1 EUR	Level 3 EUR
Equity investments	**42,497,873**	5,411,472	37,086,401
Total	**42,497,873**	5,411,472	37,086,401

As at 31 December 2011 – as restated

Assets	Total EUR	Level 1 EUR	Level 3 EUR
Equity investments	**93,259,834**	8,694,474	84,565,360
Total	**93,259,834**	8,694,474	84,565,360

As at 1 January 2011 – as restated

Assets	Total EUR	Level 1 EUR	Level 3 EUR
Equity investments	**103,251,009**	13,309,355	89,941,654
Total	**103,251,009**	13,309,355	89,941,654

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

	2012 EUR	2011 As restated EUR
Beginning balance 1 January	84,565,360	89,941,654
Total gains or losses (realised/unrealised):		
-In investment income	(47,473,959)	(8,052,610)
Purchase and issuances	-	2,839,032
Settlements	(5,000)	(162,716)
Ending balance 31 December	**37,086,401**	**84,565,360**
Unrealised loss in earnings from assets still held at year end	(49,389,415)	(11,876,866)

26. Operating segments

The Company 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.

26. Operating segments

Reportable segments

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.

	Listed Private Equity Programme	Unlisted Private Equity Programme	Trading Programme	All Other	Total
	31-Dec-12	**31-Dec-12**	**31-Dec-12**	**31-Dec-12**	**31-Dec-12**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Reportable segment total assets	4,954,699	37,086,401	456,773	5,536,283	**48,034,156**
Reportable segmental loss gain (before tax)	(1,769,302)	(47,568,393)	(51,720)	(3,863,382)	**(53,252,797)**
Reportable segment liabilities	-	-	-	(8,340,998)	**(8,340,998)**

	Listed Private Equity Programme	Unlisted Private Equity Programme	Trading Programme	All Other	**Total**
	31-Dec-12	**31-Dec-12**	**31-Dec-12**	**31-Dec-12**	**31-Dec-12**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Gains on investments at FVTPL	(1,769,302)	(47,568,393)	(51,720)	-	**(49,389,415)**
Interest revenue	-	-	-	329,387	**329,387**
Depreciation and impairment	-	-	-	(3,243)	**(3,243)**
Dividends	-	-	1,282	-	**1,282**
Income tax expense	-	-	-	(71,733)	**(71,733)**
Other income	-	-	-	197,958	**197,958**

	Listed Private Equity Programme	Unlisted Private Equity Programme	Trading Programme	All Other	Total
	31-Dec-11	**31-Dec-11**	**31-Dec-11**	**31-Dec-11**	**31-Dec-11**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Reportable segment total assets	6,724,001	84,565,360	1,970,473	3,326,142	**96,585,976**
Reportable segmental loss (before tax)	(2,873,473)	(7,760,499)	(1,242,894)	(2,715,672)	**(14,592,538)**
Reportable segment liabilities	-	-	-	(3,502,687)	**(3,502,687)**

26. Operating segments *(Continued)*

Reportable segments *(Continued)*

	Listed Private Equity Programme 31-Dec-11 EUR	Unlisted Private Equity Programme 31-Dec-11 EUR	Trading Programme 31-Dec-11 EUR	All Other 31-Dec-11 EUR	Total 31-Dec-11 EUR
Gains on investments at FVTPL	(2,873,473)	(7,760,499)	(1,242,894)	-	**(11,876,866)**
Interest revenue	-	-	-	134,545	**134,545**
Depreciation and impairment	-	-	-	(2,258)	**(2,258)**
Dividends	-	-	35,354	-	**35,354**
Income tax expense	-	-	-	(70,883)	**(70,883)**
Other income	-	-	-	238,922	**238,922**

	Listed Private Equity Programme 01-Jan-11 EUR	Unlisted Private Equity Programme 01-Jan -11 EUR	Trading Programme 01-Jan -11 EUR	All Other 01-Jan -11 EUR	Total 01-Jan-11 EUR
Reportable segment total assets	9,597,473	89,941,654	3,711,882	7,468,524	**110,719,533**
Reportable segmental loss (before tax)	-	-	-	-	**-**
Reportable segment liabilities	-	-	-	(2,873,290)	**(2,873,290)**

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

	Romania 31-Dec-12 EUR	Serbia 31-Dec-12 EUR	Other 31-Dec-12 EUR	Total 31-Dec-12 EUR
Revenues				
Total investment loss	(16,737,123)	(32,652,292)	-	**(49,389,415)**
Interest income	11,321	310,250	7,816	**329,387**
Dividend income	1,121	161	-	**1,282**
Other income	-	-	197,958	**197,958**
	(16,724,681)	**(32,341,881)**	**205,774**	**(48,860,788)**
Total assets				
Financial assets at FVTPL	35,459,100	6,582,000	-	42,041,100
Property, plant and equipment	-	-	13,458	13,458
Loans receivable	560,501	-	-	560,501
Non-current assets	**36,019,601**	**6,582,000**	**13,458**	**42,615,059**
Financial assets at FVTPL	456,773	-	-	456,773
Trade and other receivables	-	-	277,777	277,777
Loans receivable	-	3,366,167	-	3,366,167
Cash and cash equivalents	-	-	1,318,380	1,318,380
Total Assets	**36,476,374**	**9,948,167**	**1,609,615**	**48,034,156**

26. Operating segments *(Continued)*

Reportable segments *(Continued)*

	Romania 31-Dec-11 EUR	Serbia 31-Dec-11 EUR	Other 31-Dec-11 EUR	Total 31-Dec-11 EUR
Revenues				
Total investment loss	(10,335,874)	(1,540,992)	-	**(11,876,866)**
Interest income	44,286	75,938	14,321	**134,545**
Dividend income	35,354	-	-	**35,354**
Other income	-	-	238,924	**238,924**
	(10,256,234)	**(1,465,054)**	**253,245**	**(11,468,043)**

	Romania 31-Dec-11 EUR	Serbia 31-Dec-11 EUR	Other 31-Dec-11 EUR	Total 31-Dec-11 EUR
Total assets				
Financial assets at FVTPL	51,956,247	39,333,114	-	91,289,361
Property, plant and equipment	-	-	7,862	7,862
Loans receivable	550,895	-	-	550,895
Non-current assets	**52,507,142**	**39,333,114**	**7,862**	**91,848,118**
Financial assets at FVTPL	1,957,203	13,270	-	1,970,473
Trade and other receivables	-	69,000	118,512	187,512
Loans receivable	237,588	1,731,059	315,186	2,283,833
Cash and cash equivalents	-	-	296,040	296,040
Total Assets	**54,701,933**	**41,146,443**	**737,600**	**96,585,976**

	Romania 01-Jan-11 EUR	Serbia 01-Jan -11 EUR	Other 01-Jan -11 EUR	Total 01-Jan -11 EUR
Total assets				
Financial assets at FVTPL	61,037,111	38,022,480	479,536	99,539,127
Property, plant and equipment	-	-	2,515	2,515
Loans receivable	406,700	-	-	406,700
Non-current assets	**61,443,811**	**38,022,480**	**482,051**	**99,948,342**
Financial assets at FVTPL	3,711,882	-	-	3,711,882
Trade and other receivables	5,289	-	4,128,033	4,133,322
Loans receivable	-	2,245,500	-	2,245,500
Cash and cash equivalents	-	-	680,487	680,487
Total Assets	**65,160,982**	**40,267,980**	**5,290,571**	**110,719,533**

27. 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

28. Share Capital

	Authorised		Authorised	
	2012	**2012**	**2011**	**2011**
	Number	**EUR**	**Number**	**EUR**
Ordinary shares of EUR 0.01 each	300,000,000	3,000,000	300,000,000	3,000,000

	Issued and fully paid		Issued and fully paid	
	2012	**2012**	**2011**	**2011**
	Number	**EUR**	**Number**	**EUR**
Ordinary shares of EUR 0.01 each				
At beginning of the year	100,000,000	1,000,000	100,000,000	1,000,000
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	1,000,000	100,000,000	1,000,000

29. Earnings per share

Earnings	**31-Dec-12**	**31-Dec-11 As restated**
Earnings for the purposes of basic & diluted earnings per share being net loss attributable to owners of the Company	(53,392,784)	(14,770,148)
Earnings for the purposes of basic & diluted EPS	**(53,392,784)**	**(14,770,148)**
Number of shares		
Weighted average number of shares for the purposes of basic & diluted EPS	100,000,000	100,000,000
Net loss attributable to equity holders of the parent	(53,392,784)	(14,770,148)
Basic & diluted EPS	**(0.5339)**	**(0.1477)**

30. Events after the reporting period

The directors have performed a subsequent events review from 1 January 2013 through to the date that the consolidated financial statements were authorised for issuance, and report the following subsequent events:

30 a) Loan to East Point Metals Limited

On 26 February 2013, the Company, DCEMF Holdings Limited and East Point Metals Limited had entered into an agreement whereby the Company would provide additional financing to East Point Metals Limited in the amount of EUR 756,000. The loan would attract an interest rate of 9% and become repayable on 28 March 2013.

30 b) Loan from Northview Investment Fund Limited

On 20 March 2013 the Company and Northview Investment Fund Limited entered into a supplemental agreement whereby the terms of the existing loan facility in the amount of EUR 3,000,000 would be amended to capitalise accrued interest on a quarterly basis.

30. Events after the reporting period *(Continued)*

30 c) Dividends received from Glasro Holdings Limited

In April and June 2013, Glasro Holdings Limited declared dividends at a total amount of EUR 1,015,384 payable to the Company.

Independent auditors' report on pages 14 to 15.