# RECONSTRUCTION CAPITAL II LIMITED

**INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENT**S

For the period from 1 January 2015 to 30 June 2015

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**DIRECTORS AND COMPANY INFORMATION**

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

Cayman Islands

**Legal form**

Limited Liability Company

**Company number**

HL-156549

**Directors**

|  |
| --- |
| Howard I. Golden (resigned 15 February 2015) |
| Markus Winkler |
| Dirk Van den Broeck |
| Mihai Radoi |

**Secretary and registered office**

|  |
| --- |
| Appleby Corporate Services (Cayman) Limited |
| Clifton House  |
| PO Box 135075 Fort StreetGrand Cayman KY1-1108Cayman Islands |
| **Adviser**New Europe Capital SRL21 Tudor Arghezi Str., Floor 6020946 BucharestRomania**Nominated Adviser**Grant Thornton UK LLP30 Finsbury SquareLondon, EC2P 2YU**Broker**Edmond de Rothschild Securities (UK) Limited4 Carlton GardensLondon, SW1Y 5AA |

**DIRECTORS AND COMPANY INFORMATION** *(Continued)*

**Administrator and Custodian**

Sanne Fiduciary Services Limited

13 Castle Street

St Helier

Jersey

JE4 5UT

**Independent Auditor**

Grant Thornton Audit SRL

26, Armand Calinescu Street, 2nd Floor

021012, Bucharest

Romania

# ADVISER’S REPORT

On 30 June 2015, Reconstruction Capital II Limited (“RC2” or the “Fund”) had a total unaudited net asset value (“NAV”) of EUR 38.7m or EUR 0.3868 per share on an undiluted basis, a 2.5% increase compared to the audited NAV at the end of December 2014. The fully diluted NAV per share increased by 3.0% from EUR 0.2812 to EUR 0.2898 in the corresponding period.

The increase in the NAV is primarily a result of an increase in the share price of Albalact SA as well as the receipt of dividends from Top Factoring Group of EUR 1.7m.

At the end of June 2015, RC2 had cash and cash equivalents of approximately EUR 1.1m, borrowings of EUR 8.5m, and another EUR 0.6m of accrued liabilities to its service providers.

**Private Equity Programme**

The equity investments held under the Private Equity Programme had a fair value of EUR 44.8m at 30 June 2015, an increase of 1.7% over the semester. This was due to a combination of an increase in the market value of the holding in Albalact SA (EUR 0.9m) and the valuation of Glasro Holdings Limited (EUR 0.3m) offset by a write down of the investment in Klas Doo (EUR 0.5m).

The increase in the valuation of Glasro Holdings Limited, sister company of Top Factoring SRL, resulted from the acquisition of the minority stake of 7.7% in Glasro Holdings Limited for EUR 0.54m in June 2015.

Pursuant to marketing efforts by the local management team and appointed real estate agents, the investment in Klas Doo was written down by 19.6% to EUR 2.1m following a reappraisal of the expected sale proceeds of its former main site in central Belgrade, which is expected to be sold as real estate.

**Trading Programme**

As at 30 June 2014, RC2’s listed equities held under the Trading Programme had a total market value of EUR 0.35m, a 2.3% increase over the first half of 2015 due to higher prices on the local stock exchange offset by a partial disposal of one of its holdings held under this programme. All the investments held under the Trading Programme were in Romanian equities.

New Europe Capital SRL

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|   | **Notes** | **EUR**  | **EUR**  | **EUR**  |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |  |
| **Investment income** |  |  |  |  |
| Gain on investments at fair value  |  |  |  |  |
| through profit and loss |  | 235,864 | 1,950,240 | 4,747,123 |
| Interest income |  | 49,348 | 54,324 | 104,949 |
| Dividend income | **3** | 1,700,000 | 1,527,107 | 1,527,111 |
| Other income |  | - | 35,986 | 140,883 |
| **Total investment income** |  | **1,985,212** | **3,567,657** | **6,520,066** |
|   |  |  |  |  |
| **Expenses** |  |  |  |  |
| Operating expenses | **4** | (560,946) | (603,632) | (1,405,276) |
| **Total operating expenses** |  | **(560,946)** | **(603,632)** | **(1,405,276)** |
|   |  |  |  |  |
| **Operating profit** |  | **1,424,266** | **2,964,025** | **5,114,790** |
|  |  |  |  |  |
| Financial expenses |  | (488,132) | (441,697) | (889,739) |
|  |  |  |  |  |
| **Profit before taxation** |  | **936,134** | **2,522,328** | **4,225,051** |
| Withholding tax expense |  | - | (404) | - |
| Income tax expense |  | **-** | **-** | (14,713) |
| **Profit for the period/year** |  | **936,134** | **2,521,924** | **4,210,338** |
|  |  |  |  |  |
| **Other comprehensive income** |  |  |  |  |
| **Amounts that may be reclassified to profit or loss**Exchange differences on translating foreign operations |  | 28,283 | 13,102 | 19,129 |
| **Total comprehensive income for the period/year** |  | **964,417** | **2,535,026** | **4,229,467** |
|   |  |  |  |  |
| **Net income for the period/year attributable to:** |  |  |  |  |
|  - Equity holders of the parent |  | 936,134 | 2,551,095 | 4,241,776 |
|  - Non-controlling interest |  | - | (29,171) | (31,438) |
|   |  | **936,134** | **2,521,924** | **4,210,338** |
|   |  |  |  |  |
| **Total comprehensive income attributable to:** |  |  |  |  |
|  - Equity holders of the parent |  | **938,256** | 2,551,018 | 4,243,209 |
|  - Non-controlling interest |  | **26,161** | (15,992) | (13,742) |
| **Total comprehensive income for the period/year** |  | **964,417** | **2,535,026** | **4,229,467** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015** *(Continued)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **Notes** | **EUR**  | **EUR**  | **EUR**  |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |  |
| **Earnings Per Share attributable to the equity shareholders of the Company**  | **11** |  |  |  |
|  |  |  |  |  |
| Basic undiluted earnings per share |  | 0.0094 | 0.0255 | 0.0424 |
| Fully diluted earnings per share |  | 0.0086 | 0.0255 | 0.0261 |

*The notes on pages 12 to 18 form an integral part of these unaudited interim financial statements.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **Notes** | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
| **Assets** |  |  |  |  |
| **Non-current assets** |  |  |  |   |
| Property, plant and equipment |  | 11,509 | 10,215 | 10,518 |
| Financial assets at fair value through profit or loss | **5** | 44,833,347 | 41,281,075 | 44,085,288 |
| Loans receivable | **6** | 1,459,113 | - | 1,409,796 |
| **Total non-current assets** |  | **46,303,969** | **41,291,290** | **45,505,602** |
|  |  |  |  |  |
| **Current assets** |  |  |  |  |
| Financial assets at fair value through profit or loss | **5** | 350,013 | 347,525 | 342,696 |
| Trade and other receivables | **7** | 299,418 | 414,027 | 276,274 |
| Loans receivable | **6** | - | 1,359,834 | - |
| Cash and cash equivalents |  | 1,097,293 | 534,824 | 768,606 |
| **Total current assets** |  | **1,746,724** | **2,656,210** | **1,387,576** |
|  |  |  |  |  |
| **Total assets** |  | **48,050,693** | **43,947,500** | **46,893,178** |
|  |  |  |  |  |
| **Liabilities** |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Trade and other payables | **8** | 569,710 | 2,280,790 | 847,194 |
| Loans and borrowings | **9** | 45,331 | 5,870,917 | 44,190 |
| Corporation tax payable |  | 2,418 | 4,469 | 2,211 |
| **Total current liabilities** |  | **617,459** | **8,156,176** | **893,595** |
|  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |
| Loans and borrowings | **9** | **-** | 43,031 | - |
| Convertible loan notes |  | 8,446,199 | - | 7,976,965 |
| **Total non-current liabilities** |  | **8,446,199** | **43,031** | **7,976,965** |
|  |  |  |  |  |
| **Total liabilities** |  | **9,063,658** | **8,199,207** | **8,870,560** |
|  |  |  |  |  |
| **Total net assets** |  | **38,987,035** | **35,748,293** | **38,022,618** |
|  |  |  |  |  |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2014** *(Continued)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |   | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
| **Capital and reserves attributable to equity holders** |    |  |   |
| Share capital |  | 1,000,000 | 1,000,000 | 1,000,000 |
| Share premium reserve |  | 121,900,310 | 121,900,310 | 121,900,310 |
| Retained deficit |  | (84,822,361) | (87,449,176) | (85,758,495) |
| Equity component of convertible loan notes |  | 629,445 | - | 629,445 |
| Foreign exchange reserve |  | (24,123) | (27,755) | (26,245) |
| **Total equity and reserves** |  | **38,683,271** | **35,423,379** | **37,745,015** |
|   |  |  |  |  |
| Non-controlling interests |  | 303,764 | 324,914 | 277,603 |
| **Total equity** |   | **38,987,035** | **35,748,293** | **38,022,618** |
|   |   |   |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
| **Net Asset Value per share** |  |  |  |  |
|  |  |  |  |  |
| Basic undiluted net asset value per share |  | 0.3868 | 0.3542 | 0.3775 |
| Fully diluted net asset value per share |  | 0.2898 | 0.3542 | 0.2812 |

*The notes on pages 12 to 18 form an integral part of these unaudited interim financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | Share Capital | Share Premium | Foreign Exchange Reserve | Retained (Deficit)/ Earnings | Equity Component of Loan Notes | **Subtotal** | Non-Controlling Interest | **Total** |
|   | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
|   |   |   |   |   |  |  |   |  |
| **Balance at 1 January 2014** | **1,000,000** | **121,900,310** | **(27,678)** | **(90,000,271)** | - | **32,872,361** | **388,209** | **33,260,570** |
|  |  |  |  |  |  |  |  |  |
| Profit/(loss) for the period | - | - | - | 2,551,095 | - | **2,551,095** | (29,171)  | **2,521,924** |
| Other comprehensive (loss)/income | - | - | (77)  | - | - | **(77)** | 13,179 | **13,102**  |
| Total comprehensive (loss)/income for the period | - | - | (77)  | 2,551,095 | - | **2,551,018** | (15,992) | **2,535,026** |
| Dividends paid to non-controlling interests | - | - | - | - | - | **-** | (47,303) | **(47,303)** |
| **Balance at 30 June 2014** | **1,000,000**  | **121,900,310**  | **(27,755)** | **(87,449,176)** | - | **35,423,379**  | **324,914** | **35,748,293**  |
|   |   |   |   |   |  |  |   |  |
| Profit/(loss) for the period | - | - | - | 1,690,681 | - | **1,690,681** | (31,438) | **1,659,243** |
| Other comprehensive income | - | - | 1,510 | - | - | **1,510** | 4,517 | **6,027** |
| Total comprehensive income/(loss) for the period |  |  | 1,510 | 1,690,681 | - | **1,692,191** | (26,921) | **1,665,270** |
| Issuance of convertible loan notes (equity portion) | - | - | - | - | 629,445 | **629,445** | - | **629,445** |
| Dividends paid to minorities | - | - | - | - | - | **-** | (49,561) | **(49,561)** |
| Contributions by the owners recognised directly in equity | - | - | - | - | 629,445 | **629,445** | (49,561) | **579,884** |
| **Balance at 31 December 2014** | **1,000,000** | **121,900,310** | **(26,245)** | **(85,758,495)** | **629,445** | **37,745,015** | **277,603** | **38,022,618** |
|  |  |  |  |  |  |  |  |  |
| Profit for the period | - | - | - | 936,134 | - | **936,134** | - | **936,134** |
| Other comprehensive income | - | - |  2,122 | - | - | **2,122** | 26,161 | **28,283** |
| Total comprehensive (loss)/income for the period | - | - | 2,122 | 936,134 | - | 938,256 | 26,161 | **964,417** |
| **Balance at 30 June 2015** | **1,000,000**  | **121,900,310**  | **(24,123)** | **(84,822,361)** | **629,445** | **38,683,271** | **303,764** | **38,987,035** |

*The notes on pages 12 to 18 form an integral part of these unaudited interim financial statements.*

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|   |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |  |
| **Cash flows from operating activities** |  |   |  |   |
| Net profit/(loss) before tax |  | 936,134 | 2,522,328 | 4,225,051 |
| *Adjustments for:* |  |  |  |  |
| Depreciation and amortisation |  | - | 1,932 | 2,588 |
| Gain on financial assets at FVTPL  |  | (235,864) | (1,950,240) | (4,747,123) |
| Interest income |  | (49,348) | (54,535) | (104,949) |
| Interest expense |  | 488,132 | 441,697 | 889,739 |
| Dividend income |  | (1,700,000) | (1,527,107) | (1,527,111) |
| **Net cash outflow before changes in working capital** | **(560,946)** | **(565,925)** | **(1,261,805)** |
|  |  |  |  |  |
| (Increase)/decrease in trade and other receivables | (833) | (33,273) | 68,870 |
| (Decrease) in trade and other payables |  | (305,878) | (2,463,675) | (3,990,128) |
| Purchase of financial assets |  | (535,000) | - | - |
| Sale of financial assets |  | 16,204 | - | - |
| Interest income received |  | 44 | 208 | 387 |
| Dividends received |  | 1,700,000 | 1,523,077 | 1,526,708 |
| **Cash generated from/(used in) operating activities** | **313,591** | **(1,539,588)** | **(3,655,968)** |
|   |  |  |  |  |
| Income tax paid |  | - | - | (14,666) |
|  |  |  |  |  |
| **Net cash generated from/(used in) operating activities** | **313,591** | **(1,539,588)** | **(3,670,634)** |
|  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |
| Purchase of property, plant and equipment |  | - | (1,440) | (2,059) |
| Proceeds of loans granted to unconsolidated subsidiaries |  | - | - | 594,943 |
| Proceeds from loans granted to unconsolidated subsidiaries |  | - | 598,719 | - |
| **Net cash flow generated from investing activities** | **-** | **597,279** | **592,884** |
|   |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |
| Repayments of loans granted by related parties |  | - | (3,550,000) | (4,256,045) |
| Dividends paid to non-controlling interests |  | - | (47,303) | (96,864) |
| Proceeds from loans granted by related parties |  | - | 5,750,000 | - |
| Proceeds from the issuance of convertible loan notes | - | - | 8,449,999 |
| Interest paid on loans |  | - | (1,032,284) | (622,255) |
| **Net cash generated from financing activities** | **-** | **1,120,413** | **3,474,835** |
|  |  |  |  |  |
| **Increase in cash and cash equivalents**  | **313,591** | **178,104** | **397,085** |
|  |  |  |  |  |
| Cash and cash equivalents at beginning of the period/year | 768,606 | 350,142 | 350,142 |
| Effect of changes in foreign exchange rates |  | 15,096 | 6,578 | 21,379 |
| **Cash and cash equivalents at end of the period/year** | **1,097,293** | 534,824 | 768,606 |

*The notes on pages 12 to 18 form an integral part of these financial statements.*

**NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

1. **Establishment**

Reconstruction Capital II Limited was incorporated on 17 October 2005 in the Cayman Islands as a tax 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 audited results of the Company for the year from 1 January 2014 to 31 December 2014 and the unaudited results of the Company for the period 1 January 2015 to 30 June 2015 (as well as comparatives for the period 1 January 2014 to 30 June 2014).

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.

**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 were 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.

1. **Principal accounting policies**

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), adopted for use in the European Union in accordance with Art. 3 of the IAS Regulation (EC) No. 1606/2002. The 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 29 October 2014, the life of the Company was extended for at least two years. A further extension will be discussed at the annual general meeting in 2016. Furthermore, a resolution was passed to authorise the issuance of up to EUR 8,450,000 convertible loan notes.

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.

**2. Principal accounting policies** *(Continued)*

2.1 Basis of preparation *(Continued)*

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 financial information for the six months ended 30 June 2015 and the six months ended 30 June 2014 is unaudited and does not constitute the Group’s statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2014 has, however, been derived from the audited statutory financial statements for that period.

The half-yearly report has been prepared in accordance with the recognition and measurement principles of IFRS, as issued by the International Accounting Standards Board (“IASB”), using accounting policies that are expected to be applied during the financial year ended 31 December 2015.

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

**3. Dividend income**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Glasro Holdings Limited | 1,700,000 | 1,523,077 | 1,523,080 |
| S.C. Comelf SA | - | 4,030 | 4,031 |
|  | **1,700,000** | **1,527,107** | **1,527,111** |

**4. Operating expenses**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Investment management and advisory fees | 392,026 | 217,453 | 486,487 |
| General administrative expenses incurred wholly and exclusively by the Company’s subsidiary New Europe Capital Limited | - | 156,688 | 338,459 |
| Fees in respect of the issuance of convertible loan notes | - | - | 215,223 |
| Administration and custodian fees | 40,720 | 34,480 | 70,331 |
| Directors’ fees | 35,384 | 36,212 | 66,716 |
| Audit fees | 15,196 | 11,901 | 27,229 |
| Insurance premium | 4,563 | 4,563 | 9,125 |
| Other expenses | 73,057, | 142,335 | 191,706 |
|  | **560,946** | **603,632** | **1,405,276** |

**5. Financial assets at fair value through profit or loss**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| **Non-current investments** |  |  |  |
| Unlisted equity securities | 34,151,310 | 33,206,173 | 34,345,899 |
| Listed equity securities | 10,682,038 | 8,074,902 | 9,739,389 |
|  | **44,833,347** | **41,281,075** | **44,085,288** |
|  |  |  |  |
| Cost | 92,775,514 | 92,775,514 | 94,086,476 |
| Unrealised loss on investments | (47,942,167) | (51,494,439) | (50,001,188) |
| **Fair value of the non-current investments** | **44,833,347** | **41,281,075** | **44,085,288** |
|  |  |  |  |
| **Current investments** |  |  |  |
| Listed equity securities  | 350,013 | 347,525 | 342,696 |
| Total financial assets at fair value through profit or loss | **350,013** | **347,525** | **342,696** |
|  |  |  |  |
| Cost  | 7,228,194 | 7,555,228 | 7,555,228 |
| Unrealised loss on investments | (6,878,181) | (7,207,703) | (7,212,532) |
| **Fair value of the current investments** | **350,013** | **347,525** | **342,696** |

**6. Loans receivable**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Loans to unconsolidated subsidiaries and related entities (Note 12) | 1,459,113 | 1,359,834 | 1,409,796 |
|  |  |  |  |
| **Total loans** | **1,459,113** | **1,359,834** | **1,409,796** |
|  |  |  |  |
| Amount due for settlement within 12 months  | - | - | - |
| Amount due for settlement after 12 months | 1,459,113 | 1,359,834 | 1,409,796 |

The fair value of loans receivable is estimated to equal their carrying value as at 30 June 2015.

**7. Trade and other receivables**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Trade and other receivables | 259,080 | 402,600 | 236,769 |
| Dividends receivable | - | 3,668 | - |
| Prepayments | 40,338 | 7,759 | 39,505 |
|  | **299,418** | **414,027** | **276,274** |

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

**8. Trade and other payables**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Trade payables | 14,230 | 80,337 | 26,379 |
| Other payables and accruals | 555,480 | 2,200,453 | 820,815 |
|  | **569,710** | **2,280,790** | **847,194** |

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

**9. Loans and borrowings**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| **Secured and unsecured borrowing at amortised cost** |  |  |  |
| Loans from directors | - | 5,870,917 | - |
| Convertible loan notes | 8,446,199 | - | 7,976,965 |
| Loan from other related parties | 45,331 | 43,031 | 44,190 |
|  |  |  |  |
| **Total borrowings** | **8,491,530** | **5,913,948** | **8,021,155** |
|  |  |  |  |
| Amount due for settlement within 12 months | 45,331 | 5,870,917 | 44,190 |
| Amount due for settlement in 2-5 years | 8,446,199 | 43,031 | 7,976,965 |

The fair value of loan payables was estimated to equal their carrying value as at 30 June 2015.

**10. Net Asset Value (excluding non-controlling interest)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Net assets (excluding non-controlling interest) | 38,683,271 | 35,423,379 | 37,745,015 |
|  |  |  |  |
| Number of shares (undiluted) | 100,000,000 | 100,000,000 | 100,000,000 |
|  |  |  |  |
| Net Asset Value per share (undiluted) | **0.3868** | **0.3542** | **0.3775** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Net assets (excluding non-controlling interest) | 38,683,271 | 35,423,379 | 37,745,015 |
| Adjustments for: |  |  |  |
| Convertible loan notes | 7,820,554 | - | 7,820,554 |
| Convertible loan notes accrued interest | 625,645 | - | 156,411 |
| Net assets (adjusted) | 47,129,470 | 35,423,379 | 45,721,980 |
| Number of shares (diluted) | 162,614,500 | 100,000,000 | 162,614,500 |
|  |  |  |  |
| Net Asset Value per share (diluted) | **0.2898** | **0.3542** | **0.2812** |

**11. Earnings per share (“EPS”)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| **Earnings** |  |  |  |
| Earnings for the purposes of basic and diluted EPS, being net profit attributable to equity owners of the Company | **936,134** | **2,551,095** | **4,241,776** |
|  |  |  |  |
| **Number of shares** |  |  |  |
| Weighted average number of shares for the purposes of basic and undiluted EPS | 100,000,000 | 100,000,000 | 100,000,000 |
|  |  |  |  |
| **Basic and undiluted EPS** | **0.0094** | **0.0255** | **0.0424** |
|  |  |  |  |
| Weighted average number of shares based on full conversion of loan notes with a value of EUR 8.45m at a rate of 7.41 new ordinary shares for EUR 1 of convertible loan note principal | 62,614,500 | - | 62,614,500 |
|  |  |  |  |
| Weighted average number of shares for the purposes of fully diluted EPS | 162,614,500 | 100,000,000 | 162,614,500 |
| **Fully diluted EPS** | **0.0058** | **0.0255** | **0.0261** |

**12. Related-party transactions**

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

Mr Florescu is a director of New Europe Capital SRL, which is the Adviser to the Company. Total advisory fees for the period amounted to EUR 392,026 (30 June 2014: EUR 296,955). Total fees outstanding as at 30 June 2015 were EUR 300,234 (30 June 2014: EUR 776,025).

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Advisory fees** |  |  |  |
| New Europe Capital Limited \* | - | 79,205 | 168,023 |
| New Europe Capital SRL \*\* | 392,026 | 209,381 | 465,174 |
| New Europe Capital DOO \*\* | - | 8,072 | 21,313 |
|  | **392,026** | **296,955** | **654,510** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Outstanding advisory fees** |  |  |  |
| New Europe Capital Limited \* | 249 | 79,502 | 44,765 |
| New Europe Capital SRL \*\* | 71,703 | 499,918 | 119,845 |
| New Europe Capital DOO \*\* | 0 | 196,605 | 182,554 |
|  | **71,952** | **776,025** | **347,164** |

The advisory fees are accrued and are payable monthly in arrears. There were no performance fees paid or payable in respect of the period (2014: nil).

Advisory fees which are unpaid for over a month attract an interest of 10% (2014: 10%) on the entire balance.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Interest charged on outstanding amounts** |  |  |  |
| New Europe Capital Limited \* | 0 | 10,188 | 13,142 |
| New Europe Capital SRL \*\* | 3,274 | 75,876 | 87,106 |
| New Europe Capital DOO \*\* | 0 | 20,846 | 29,895 |
|  | **3,274** | **106,910** | **130,143** |

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

\*\* New Europe Capital SRL and New Europe Capital DOO are related to the Company through the common beneficial interest of a former Director.

**12. Related-party transactions** *(Continued)*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Directors’ fees** |  |  |  |
| Howard I. Golden (resigned 15 February 2015) | 3,781 | 14,876 | 30,000 |
| Ion Alexander Florescu (resigned 29 August 2014) | - | 1,500 | - |
| Markus Winkler | 9,918 | 9,918 | 20,000 |
| Dirk Van den Broeck | 11,767 | 9,918 | 20,000 |
| Mihai Radoi (appointed 30 September 2014) | 9,918 | - | 6,667 |
| Robert Petch (resigned 26 November 2013) | - | - | (9,951) |
|  | **35,384** | **36,212** | **66,716** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Loans receivable from related parties** | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |
| Loans to subsidiaries and related entities  | 1,459,113 | 1,359,834 | 1,409,796 |
|  | **1,459,113** | **1,359,834** | **1,409,796** |

For details on the loans receivable from related parties, please refer to Note 6.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Trade and other payables to related parties** |  |  |  |
| Advisory fees | 71,703 | 696,523 | 302,399 |
| Interest on advisory fees | 228,531 | 96,722 | 219,516 |
| Directors’ fees | 75,549 | 447,540 | 50,070 |
|  | **375,783** | **1,240,785** | **571,985** |

For details on the trade and other payables to related parties, please refer to Note 8.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Loans payable to related parties** |  |  |  |
| Loans from directors | - | 5,870,917 | - |
| Loans from subsidiaries | 45,331 | 43,031 | 44,190 |
|  | **45,331** | **5,913,948** | **44,190** |

For details on the loans payable to related parties, please refer to Note 9.

**13. Events after the reporting period**

There were no significant events between the end of the reporting period and the date these interim financial statements were distributed.