

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document is an admission document required by the rules of AIM, a market operated by the London Stock Exchange. This document does not comprise a prospectus for the purposes of the Prospectus Rules issued by the Financial Services Authority. This document has not been delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to Section 38 of the Isle of Man Companies Act 1931 on the basis that the offer of Ordinary Shares constituted hereby is a "private placement" as defined in the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000. This document and the Placing have not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH for a period of one month from the date of Admission in accordance with Rule 3 of the AIM Rules for Companies.

The Company and the Directors, whose names appear on page 8 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on AIM. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

It is expected that Admission will take place, and dealings in the Ordinary Shares will commence on AIM, on 21 June 2007.

Your attention is drawn in particular to the section entitled "Risk Factors" in Part I of this document.

European Convergence Development Company plc

(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 with registered number 117309C)

Placing of 63,157,894 ordinary shares of €0.80 each at €0.95 per share, payable in full on subscription

Admission to trading on AIM

Nominated Adviser and Broker
Panmure Gordon (Broking) Limited

Placing Agent
Charlemagne Capital (UK) Limited

Charlemagne Capital (UK) Limited, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and no one else in connection with the Placing and the proposed Admission. Charlemagne Capital (UK) Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Charlemagne Capital (UK) Limited nor for providing advice in relation to the transactions and arrangements detailed in this document. Charlemagne Capital (UK) Limited is not making any representation or warranty, express or implied, as to the contents of this document and accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by Charlemagne Capital (UK) Limited for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible.

Panmure Gordon (Broking) Limited, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting exclusively for the Company and no one else in connection with the Placing and the proposed Admission. Panmure Gordon (Broking) Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Panmure Gordon (Broking) Limited nor for providing advice in relation to the transactions and arrangements detailed in this document. The responsibilities of Panmure Gordon (Broking) Limited as the Company's nominated adviser for the purposes of the AIM Rules and as broker are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of his decision to subscribe for Ordinary Shares in reliance on any part of this document. Panmure Gordon (Broking) Limited is not making any representation or warranty, express or implied, as to the contents of this document and accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by Panmure Gordon (Broking) Limited for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible.

No copy of this document has been delivered to the Financial Services Authority for registration nor has this document been approved by the Financial Services Authority. This document has not been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 ("FSMA"). In addition no offer to the public shall be made in the UK and the distribution of this document shall be restricted so as not to require the publication of a prospectus under FSMA.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Ordinary Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, Republic of South Africa or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

The information in this document is not an offer to sell securities of the Company to the public in the Federal Republic of Germany, and an offer and sale of the securities may only be made in the Federal Republic of Germany to a restricted circle of investors or institutional investors who on a professional or commercial basis purchase shares themselves for their own account or for the account of a third party in compliance with Section 2 of the German Securities Sales Prospectus Act (Wertpapier-Verkaufsprospektgesetz). No sales prospectus has been or will be published with respect to the securities and no application to the competent authorities has been made under the German Sales Prospectus Act to publicly market the securities. Accordingly, neither this document nor any other offering document may be distributed to the public in Germany.

This document has not been approved by the Financial Regulator as the competent authority in Ireland under the Prospectus Directive as implemented into Irish law pursuant to Irish Prospectus Law (as defined in the Investment Funds, Companies and Miscellaneous Provisions Act, 2005) nor has it been approved, where appropriate, by a competent authority in another Member State and notified to the Financial Regulator pursuant to such Irish Prospectus Law and therefore this document does not constitute a "prospectus" for the purposes thereof. As a result, no Ordinary Shares may be offered or sold in Ireland in circumstances that would constitute an offer to the public within the meaning of Irish Prospectus Law at any time other than in circumstances which do not require the publication by the Company of a prospectus pursuant to the Irish Prospectus Law.

The Company is not and does not qualify as a foreign investment fund under Article 45 of the Swiss Federal Mutual Fund Act of 18 March 1994. Ordinary Shares may only be offered and this document may only be distributed in Switzerland to investors whose assets are professionally managed provided that no public offer is made. Investors should consult their own professional advisers on the regulatory and tax implications of their acquiring, holding or disposing of Ordinary Shares under the laws of the jurisdiction in which they are liable to taxation.

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PLACING STATISTICS

Placing Price	€0.95
Number of Ordinary Shares in issue immediately prior to Admission	38,071,000
Number of Ordinary Shares being issued pursuant to the Placing	63,157,894
Number of Ordinary Shares in issue on Admission	101,228,894
Percentage of enlarged issued share capital represented by the Placing Shares	62.4 per cent.
Estimated expenses of the Placing payable by the Company	€3,185,615
Estimated net proceeds of the Placing receivable by the Company	€56,814,385
Market capitalisation at the Placing Price	€96,167,450
ISIN number	GB00B1BJRB27
SEDOL code	B1BJRB2
TIDM code	ECDC

EXPECTED PLACING AND ADMISSION TIMETABLE

Admission to trading on AIM and commencement of dealings	21 June 2007
CREST stock accounts credited (as applicable)	21 June 2007
Contract notes despatched (as applicable)	25 June 2007

DEFINITIONS

"Act"	the Isle of Man Companies Act 1931 (as amended)
"Administration Agreement"	the agreement dated 2 August 2006 between the Company and the Administrator as described in paragraph 7.2 of Part X of this document
"Administrator"	Anglo Irish Fund Services Limited or such other administrator as may be appointed by the Company from time to time
"Admission"	the admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies and the AIM Rules for Nominated Advisers
"AIM Rules for Companies"	the AIM Rules for Companies published by the London Stock Exchange from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
"Articles"	the articles of association of the Company, a summary of which is set out in paragraph 5 of Part X of this document
"Board" or "Directors"	the board of directors of the Company including a duly constituted committee thereof
"Business Day"	any day on which the London Stock Exchange is open for business
"CC (UK)" or "Placing Agent"	Charlemagne Capital (UK) Limited
"Charlemagne Group" or "Charlemagne Capital"	Charlemagne Capital Limited and its subsidiaries including the Manager and the Placing Agent
"Class A"	the standard generally applied to buildings in South-East Europe which meet some or all of certain "hard" criteria including but not limited to having modern cable management, modern air handling systems, adequate and secure dedicated parking, a high quality standard of finish and 24-hour access together with some or all of certain "soft" criteria including but not limited to having a high speed modern lift, clear ceiling height of 2.65 metres, a prestigious or good quality reception, good quality finish to working areas, flexible partitioning, double-glazed windows, anti-glare glass and services (e.g. restaurant) available within the building or in close proximity
"Class B"	the standard generally applied to buildings in South-East Europe which meet some but not all of the hard and soft criteria met by Class A buildings

"Combined Code"	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and published in June 2006
"Company"	European Convergence Development Company plc
"CREST"	the relevant system in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
"CRESTCo"	CRESTCo Limited, a company incorporated under the laws of England and Wales and the operator of CREST
"CREST Regulations"	the Isle of Man Uncertificated Securities Regulations 2005
"Custodian"	Anglo Irish Bank Corporation (I.O.M.) P.L.C. or such other custodian as may be appointed by the Company from time to time
"Custodian Agreement"	the agreement dated 2 August 2006 between the Company and the Custodian as described in paragraph 7.3 of Part X of this document
"Euro" or "€"	the common currency of the euro area
"Eurozone"	the subset of European Union member states which have adopted the Euro currency
"Financial Services Authority" or "FSA"	the Financial Services Authority in the UK
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Group"	the Company and its subsidiaries from time to time
"Introduction Agreement"	the agreement dated 15 June 2007 between the Company, the Manager, the Directors and the Nominated Adviser as described in paragraph 7.5 of Part X of this document
"Initial Offering Document"	the offering document issued by the Company dated 2 August 2006
"Initial Placing"	the Placing of 38,071,000 Ordinary Shares as described in the Initial Offering Document
"IRR"	internal rate of return
"Law"	the Isle of Man Companies Acts 1931 to 2004 and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
"London Stock Exchange"	London Stock Exchange plc
"Management Agreement"	the agreement dated 2 August 2006 between the Company and the Manager as described in paragraph 7.1 of Part X of this document
"Manager"	Charlemagne Capital (IOM) Limited

"Memorandum"	the memorandum of association of the Company
"Nominated Adviser" or "Panmure Gordon"	Panmure Gordon (Broking) Limited
"Nominated Adviser Agreement"	the letter agreement dated 15 June 2007 between the Company and the Nominated Adviser as described in paragraph 7.6 of Part X of this document
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of €0.80 each in the capital of the Company
"Placing"	the conditional placing by the Placing Agent on behalf of the Company of 63,157,894 new Ordinary Shares at the Placing Price
"Placing Agreement"	the agreement dated 15 June 2007 between the Company, the Manager and the Placing Agent relating to the Placing, as described in paragraph 7.4 of Part X of this document
"Placing Price"	€0.95 per Ordinary Share
"Placing Shares"	63,157,894 new Ordinary Shares
"Prospectus Directive"	the EU Prospectus Directive (2003/71/EC)
"Shareholders"	holders of Ordinary Shares
"South-East Europe"	Bulgaria, Romania, Turkey, Croatia and Slovakia and other countries of south-east Europe
"sqm"	square metre/s
"UKLA"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"UK"	the United Kingdom
"US" or "United States"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US\$"	US dollars, the lawful currency from time to time of the US

DIRECTORS AND ADVISERS

Directors

Erwin Brunner (*Non-executive Chairman*)
James C Rosapepe (*Non-executive Director*)
Donald C McCrickard (*Non-executive Director*)
Anderson A Whamond (*Non-executive Director*)

all of the registered office below

Company Secretary

Ian Dungate
C/o Anglo Irish Fund Services Limited
Jubilee Buildings
Victoria Street
Douglas
Isle of Man IM1 2SH

Registered Office

Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

Manager

Charlemagne Capital (IOM) Limited
Regent House
16-18 Ridgeway Street
Douglas
Isle of Man
IM1 1EN

Nominated Adviser and Broker

Panmure Gordon (Broking) Limited
Moorgate Hall
155 Moorgate
London EC2M 6XB

Placing Agent

Charlemagne Capital (UK) Limited
39, St James's Street
London
SW1A 1JD

Isle of Man Legal Adviser

Cains Advocates Limited
15-19 Athol Street
Douglas
Isle of Man
IM1 1LB

English Legal Adviser

Stephenson Harwood
One, St Paul's Churchyard
London
EC4M 8SH

Solicitors to the Nominated Adviser

Nabarro
Lacon House
Theobald's Road
London WC1X 8RW

Custodian

Anglo Irish Bank Corporation (I.O.M.) P.L.C.
Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

Administrator and Registrar

Anglo Irish Fund Services Limited
Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

Auditors and Reporting Accountant

KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

PART I - RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or its subsidiary companies operate or intend to operate as well as overall global financial conditions.

This is a high risk investment and investors may lose a substantial portion or even all of the money they invest in the Company. An investment in the Company is, therefore, suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that might result from such investment. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

Investors should also take their own tax advice as to the consequences of their owning shares in the Company as well as receiving returns from it. No representation or warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any shares in the Company and neither the Company, the Directors, the Manager, the Nominated Adviser nor the Placing Agent will be responsible for any tax consequences for any such investors.

Share price volatility and liquidity

Investors should recognise that the price of the Ordinary Shares and the income from them can go down as well as up and investors may therefore not recover any or all of their original investment. The price performance of the Ordinary Shares is expected to represent an amplification of any upward or downward market movement affecting the value of the Group's investments, due to the effect of gearing.

Investors will have no right to redeem Ordinary Shares. The only way to realise Ordinary Shares will be by sale in the market. Investors may realise less than the original amount invested.

The price at which the Ordinary Shares may trade and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and some which may affect quoted companies generally. These factors could include the performance of the Group's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value.

Limited operating history

The Company is relatively newly formed and has limited operating history upon which investors can evaluate likely performance. The results of the Company's operations may fluctuate from period to period and prospective investors should note that the results of a particular period would not necessarily be indicative of results in future periods. There can be no assurance that the Company will be able to achieve any of the returns referred to in this document. The Group may be unable to find a suitable number of attractive opportunities to meet its investment objectives and those that are or have been identified may not be completed. Shareholders will be relying on the ability of the Manager to identify, negotiate and structure the investments to be made by the Group. The past performance of portfolios managed by the Manager is not, and should not be relied upon as, a guide to the future performance of the Company.

AIM

The Ordinary Shares will be admitted to AIM. The AIM Rules are less demanding than those of the Official List of the UKLA. Further, the London Stock Exchange has not itself examined or approved the contents of this document. An

investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Investment objective

There is no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective.

No guarantee as to future performance

There can be no assurance that the Company will be able to achieve the returns referred to in this document or that it will be fully invested within the timescales indicated.

Illiquidity and valuation risks

The Company intends to perform net asset value calculations on a quarterly basis. As a result the price of Ordinary Shares may not accurately reflect the value of the Group's underlying assets between calculations.

Investments in property are relatively illiquid and more difficult to realise than equities or bonds.

Management

The success of the Group will depend to a large extent on the ability of the Manager to select and realise appropriate investments and the loss of the Manager's services, or the loss of certain employees of the Manager, could have a material adverse effect on the Group's performance.

Conflicts of interest

The Directors, the Manager and any member of the Charlemagne Group and any of their shareholders, officers, employees, agents and affiliates ("Interested Parties") may be involved in other financial, investment or other professional activities which may on occasion cause conflicts of interest with the Company. The Manager (or any other Interested Party) may, for example, make investments on its own behalf or for other clients. Situations may arise in which the Manager's own account activities or those of its affiliates or those made on behalf of other clients may disadvantage the Company.

Market cycle

Timing to market cycle is very important in the property sector. There will always be risks associated with the market cycle.

Concentration risk

The Group may make only a limited number of investments and these may involve a higher degree of risk. Poor performance by even a few of these investments could lead to adverse effects on the returns received by the Group.

General risks associated with the Group's investments

Changes in economic conditions (including, for example, interest rates, foreign exchange rates and rates of inflation), industry conditions, competition, political and diplomatic events, tax laws, environmental laws, changes in the law and other factors can substantially and either adversely or favourably affect the value of the assets in which the Group invests and, therefore, the Company's performance and prospects.

The Group's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of property, and there can be no assurance that appreciation in the value of its investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Group's valuation of that investment.

Potential currency exchange rates risk

The Company anticipates that its business may be conducted in jurisdictions which could generate revenue, expenses and liabilities in currencies other than Euros. As a result, the Company will be subject to the effects of exchange rate fluctuations with respect to any of these currencies.

Changes in economic conditions and emerging market risks

Changes in economic conditions (including, for example, interest rates and rates of inflation) and other factors can substantially and adversely affect the value of residential property and, therefore, the Company's prospects.

The financial operations of the Group may be adversely affected by general economic conditions, by conditions within various countries' markets or by the particular financial condition of the developers and other parties doing business with the Group.

Difficulty of Identifying and securing suitable investments

The activity of identifying and securing attractive investments may from time to time be highly competitive and involve a high degree of uncertainty. The Group will be competing for investments with other real estate investment vehicles as well as individuals, financial institutions and other institutional investors. Recently a number of real estate funds have been formed for the purpose of investing in real estate assets in the Group's target investment area and additional funds with similar investment objectives as the Group may be formed in the future. There can be no assurance that the Group will be able to identify and secure investments that satisfy its rate of return objective or realise their values or that it will be able to fully invest its available capital as stated in this document or at all.

EU entry and political risk

It is currently uncertain as to what the future of the EU is likely to look like and what constitutional arrangements may govern it. In light of the foregoing, there can be assumed to be some risk that uncertainty in the EU could have a material and adverse affect on the returns to the Company.

The performance of the Ordinary Shares can be expected to be adversely affected by any failure or delay in new EU accession countries joining the EU. The EU accession countries have many characteristics of emerging markets and should be regarded as carrying associated risks of political, legal and economic instability.

Impact of law and governmental regulation

The Group and developers with whom the Group deals will need to comply with regulations relating to environmental, health and safety, land use and development standards. The institution and enforcement of such regulations could have the effect of increasing the expenditure relating to, lowering the income or rate of return from, and/or adversely affecting the value of, the Group's assets. Changes in law relating to ownership of land could have an adverse effect on the value of Ordinary Shares. New laws may be introduced, which may be retrospective and affect environmental planning, land use and development regulations.

The Group could be adversely affected by delays in, or a refusal to grant, any required governmental approval for any particular investment, as well as by the application to the Group of any legal or administrative restriction on making investments.

The applicable legal systems in the countries in which the Group operates and invests may not afford the Group the same level of certainty in relation to issues such as title to property-related rights as may be achieved in more developed markets. Enforcement of legal rights in such countries may prove expensive and difficult to achieve.

Criminality and corruption

Risks may arise from corruption and organised crime in South-East Europe and the lack of an adequate legal system. The specific nature of such risks may vary according to the country in which investments are made.

Tax related risks

Certain countries may have tax regimes which may impose withholding tax on the profits or other returns derived from the projects in which the Group has an investment. This tax may be non-recoverable. It is anticipated that the rates of withholding tax will vary across jurisdictions and will change from time to time which could have a material and adverse effect on the Group's performance.

The tax regimes applying in the UK or the Isle of Man or any other jurisdiction through which the Company invests may change, thereby affecting the Group's tax treatment in these jurisdictions. The attention of potential investors is drawn to Part IX of this document headed "Taxation".

The tax rules and their interpretation relating to an investment in the Company may change. Any change in the Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Group, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

Any change in financial reporting standards or accounting practices could affect the reported value of the investments held by the Group, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

Offshore funds rules

In the UK Budget on 21 March 2007 changes were announced to the offshore fund rules contained within Sections 756A to 764 and Schedule 27 of the Income and Corporation Taxes Act 1988. The impact of these changes is not yet clear. However, it is possible that as a result of the proposed changes the Company might be regarded as an "offshore fund" and that a UK resident person acquiring Ordinary Shares in the Company may be regarded as acquiring a "material interest" for the purposes of the offshore fund legislation. This could mean, in particular, that any gain arising on disposal of Ordinary Shares might be charged to income tax, not tax on chargeable gains.

Shareholder tax risk

Investors should take their own tax advice as to the consequences of owning shares in the Company as well as receiving returns from it. In particular investors should be aware that ownership of shares in the Company can be treated in different ways in different jurisdictions. Due to the manner in which the Company may finance the acquisition of its property investments, a substantial proportion of the income of the Company may be interest income or derived from interest income.

Regulatory regime and permits

The profitability of the Company will be in part dependent upon the continuation of a favourable regulatory climate with respect to its investments. The failure to obtain or to continue to comply with all necessary approvals, licences or permits, including renewals thereof or modifications thereto, may adversely affect the Group's performance, as could delays caused in obtaining such consents due to objections from third parties.

Litigation risk

Due to the relatively undeveloped legal systems in some of the jurisdictions in which the Group may invest, it may find it difficult, impossible or very costly to enforce the rights it may have under agreements it may enter into.

Gearing

The Group will use borrowings in relation to its investments. The debt to equity ratio is likely to differ in respect of each investment but may be as high as 75 per cent. / 25 per cent. By utilising gearing in this way, if the value of the Group's assets should decline then the effect of the gearing will be to have a disproportionately negative impact on the value of the Company's capital.

The Group may give security over its assets pursuant to its banking arrangements. If interest rates applicable to such banking arrangements change adversely, the Group may become unable to repay its borrowings when due. The inability of the Group to make repayments under its loan obligations for this or other reasons may lead to possible

enforcement of such security and the enforced sale of its assets at less than market value or at a time when market values are low.

Restitution

Following the collapse of the communist regime in 1989, Romania enacted several laws to allow the restitution of real property confiscated from private landowners. Law 10, which was passed in 2001, provides that any real property that was confiscated by the previous communist regime without due compensation could be reclaimed either by the rightful owner(s) or their legal heir(s), or (in the case of land confiscated from a company) by the former shareholder(s) or their legal successor(s) upon presentation of adequate supporting documentation and evidence of the absence of reimbursement.

Under Law 10, most types of restitution claims were required to have been filed before a cut-off date of 14 February 2002. However, this does not necessarily apply to claims brought under the Romanian Civil Code seeking restitution in kind. The Romanian assets of the Group may be at risk of restitution as described above.

Ownership and Encumbrances

Land being registered at the land registry in Romania demonstrates evidence of valid ownership, but the register (and the act of being registered) is not conclusive. It is still necessary in Romania to investigate the title historically going back at least ten years (the relevant period under Romanian law for acquiring title by adverse possession in good faith). Defects in the chain of title can result in a prior transfer of title being subject to a claim by an interested third party that it is invalid. Due to this, the risk of a third party claim as to ownership is possible, notwithstanding registration of land at the land registry. In addition, ownership of land does not necessarily amount to title to the buildings on the land or construction rights to construct buildings on bare land, which are entirely separate rights.

Generally under Romanian law, encumbrances require registration at the land registry to be binding. However, certain encumbrances (e.g. easement rights in favour of public utilities) may bind land and must be observed notwithstanding the lack of registration.

Undervalue Transactions

Asmita Gardens S.R.L acquired land having an area of 26,922.93 sqm in Bucharest, comprised of four plots of land (the "Land Plots") from Asmita S.A on 17 October 2006. The Land Plots had been acquired by Asmita S.A from an individual Ms Micsuneanue Marioara on 8 March 2005, she in turn had acquired the same from various individuals (being the initial owners of the Land Plots following restitution) between 2003 and 2004. Due to the difficulty in assessing the value of real property in Romania during the period following restitution, there is a possible risk that the Land Plots or any of them may previously have been transferred at less than market value. Under Romanian law, if a land transaction takes place at an undervalue, this is not per se evidence or a presumption of fraud, but an agreement to transfer land at an undervalue can be subject to a claim that it is invalid and null if relevant circumstances have not been disclosed to the relevant authorities and the notary public with a declaration as to the reason(s) for the value attributed to the land (at the time of the particular transaction). Any claim by an interested third party for a declaration that a land transaction should be null and void (on the grounds that it was at an undervalue) must be supported by conclusive evidence and any such claim is capable of being challenged. The consequences of a sale agreement being declared invalid and null on this ground is that it could be cancelled and any subsequent transaction(s) involving such real property could as a consequence be set aside. A party that "loses" title to its real property in such circumstances would be entitled to be reimbursed the purchase price paid by it for the real property, although there is no guarantee of this.

Land and property ownership rights

The countries in which the Group intends to invest have different laws and regulations (as well as tax provisions) relating to land and property ownership by foreign companies. Whilst the Group will use its reasonable endeavours to operate property owning structures that comply with such laws and regulations as well as with a view to mitigating the tax effect of local tax regulations, there can be no guarantee that in the future the countries in which the Group invests will not adopt laws and regulations, or will enforce existing laws or regulations, which may adversely impact on the Group's ability to own and operate land and property. Accordingly, in such circumstances, the returns to the Company may be materially and adversely affected.

Property interests may be held either directly by the Company or through a special purpose vehicle and will not form a part of the assets for which the Custodian is responsible under the terms of the Custodian Agreement.

Property risk

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations may be subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. The performance of the Company would be adversely affected by a downturn in the property market in terms of higher capitalisation rates/yields or a weakening of rent levels.

Any future property market recession could materially adversely affect the value of properties.

Returns from an investment in property will depend upon the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

Both rental income and property values may also be affected by other factors relevant to the real estate market, such as competition from other property owners and developers, the perceptions of prospective tenants on the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair or re-lease space and the costs thereof, the costs of maintenance and insurance, periods during which properties are vacant and increased operating costs. In addition, the owner must meet certain significant expenditures, including operating expenses, even if the property is vacant.

Investments in property are relatively illiquid and more difficult to realise than investments in equities or bonds.

Development risk

The returns on the Ordinary Shares will be subject to the risks associated with the development of real estate projects. These risks include the risk:-

- relating to project financing. The release of bank financing will be staged and conditional on milestones in the development being reached. In the event that the development does not proceed as expected (owing to unexpected factors such as landslip, accident, supplier default, planning or title disputes etc.), the bank may refuse to provide further financing. If the Group is unable to arrange alternative financing, it may not be possible to complete the development;
- that a developer becomes insolvent or otherwise becomes unable to fulfil its obligations to the Group or its subsidiaries;
- that planning consents are not obtained, or are delayed significantly, or are granted subject to uneconomic conditions;
- that laws are introduced, which may be retrospective and affect existing building consents, which restrict development;
- that a development is significantly delayed or costs exceed budget due to unforeseen factors;
- of unforeseen construction constraints (including geological and archaeological factors);
- of title disputes, legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers;
- that building methods or materials prove to be defective;
- that a construction company used on a development becomes insolvent and that it may prove impossible to recover compensation;

- of unavailability of suitable construction companies;
- that it takes longer than expected to find tenants or purchasers for the developed properties; and
- of fraud on the part of service providers or suppliers used on development.

Planning

The ability of the Group to gain planning permission for the development of its sites is of fundamental importance to its continued success. Any changes in the current planning legislation may have an adverse impact on its business. The Group may also need to go back to a planning authority to request amendments to existing planning permissions, which could cause delays to the development and potential revenue streams. There is no guarantee that any amendments to existing permissions will be granted.

Joint investment and management risk

A number of the Group's investments are or will be held through joint arrangements with third parties. These joint venture vehicles and their subsidiaries will be subject to the same risks to which the Group may be exposed as described above. Should any of these risks have a material adverse effect on the joint venture entities or their subsidiaries, these may in turn have a material adverse effect on the value of the Group's holding in the relevant joint venture arrangement.

As a result of the joint arrangements which means the ownership and control of such assets is shared with third parties, certain decisions relating to the assets and operation, including the making of distributions, may depend upon the consent or approval of such third parties. Disputes may arise between the Group and third party partners which could mean that the Group is not able to manage or deal with a particular investment in the way it would wish and this may adversely affect the Group's results of operations.

The Group may invest through joint arrangements where the terms of such arrangements do not allow it to dispose of the underlying investments or its interest in the joint arrangements at a time of the Group's choice.

The Group may have interests in joint arrangements with third parties or other entities over which it does not exercise control. The Group's inability to control the entity in which it holds an interest may have an impact on the way it is able to manage investments and its portfolio and may have a material adverse effect on the Group.

In addition, projects may require finance to be provided by a joint arrangement to which the Group is party. If one of the Group's partners to a joint arrangement failed to provide its share of such finance when required, the Group may be forced to make up such shortfall out of its own resources to avoid additional cost of delay to the project and this may impact the Group's operating profit for the relevant period.

The Group may be liable for the actions of its joint arrangement partners.

Unsuccessful transaction costs

There is a risk that the Group may incur substantial legal, financial and advisory expenses arising from work undertaken in relation to unsuccessful prospective investments.

Dividends

Shareholders should note that payment of any future dividends will be at the discretion of the Board after taking into account various factors including the Group's operating results, financial condition and current and anticipated cash needs.

General

The Group's portfolio will be constructed without reference to the composition of any property or stockmarket index or benchmark. It is likely, therefore, that there will be periods when its performance will be quite unlike that of any index or benchmark and there can be no assurance that such divergence will be to the Group's advantage.

In the event of the Group making a revenue loss or charging management fees and finance costs to its capital account in excess of any retained revenues, it may need to liquidate some of its investments to pay expenses.

A proportion of the Group's portfolio may be held in cash or cash-equivalent investments from time to time. Such proportion of the Group's assets will be out of the market and will not benefit from positive property or stockmarket movements.

The Company has applied for the Ordinary Shares to be admitted to trading on AIM. Securities exchanges, including AIM, typically have the right to suspend or limit trading in a company's securities. Any suspension or limits on trading in the Ordinary Shares may affect the ability of Shareholders to realise their investment.

Forward-looking statements

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "seeks", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results, performance, achievements of or dividends paid by the Group to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's net asset value, present and future business strategies and income flows and the environment in which the Group will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

PART II - INTRODUCTION

European Convergence Development Company plc is an Isle of Man company established to take advantage of opportunities that exist in the property markets of South-East Europe.

Pursuant to a placing memorandum dated 2 August 2006, the Company raised approximately €30,000,000 (net of expenses) by the placing of 38,071,000 Ordinary Shares at €0.80 per share. Such placing proceeds have been committed for investment as to approximately 76 per cent. in the properties described below under the heading "Current Investments".

The Company may invest in commercial, retail, residential and industrial property, with a view to taking advantage of the potential for capital appreciation. The Company primarily seeks to invest in early stage developments whereby it co-invests with local and international property developers.

The principal target countries are Bulgaria, Romania and Turkey, with the ability to invest in Croatia and Slovakia.

In recommending each property investment to the Board, the Manager takes into account the following factors: (i) location; (ii) marketability; (iii) price; (iv) projected tenant profile; (v) its perception of the level of rent achievable; and (vi) the track record of the developer. The Manager compiles a transaction report based on its analysis of the above factors and any other relevant matters which are presented to the Board for approval.

The Manager intends that the Company will be fully committed for investment within 12 months of Admission.

In seeking to enhance returns for Shareholders, it may be advantageous for the Company to borrow at the level of its special purpose vehicle subsidiaries. With this in mind the Company may negotiate suitable borrowing facilities with one or more lenders. The Directors do not intend the Company to borrow in respect of any property more than 75 per cent. of its purchase price.

The Company proposes to raise €60 million pursuant to the Placing through the issue of 63,157,894 new Ordinary Shares. Pending investment, money will be invested in bank deposits or fixed income securities issued by governments or banks but not corporate bonds.

The Company is managed by Charlemagne Capital's private equity team which has a wealth of experience in the region.

Shareholders will be given the opportunity to vote on the continued life of the Company at the Company's annual general meeting to be held in 2016. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter.

The Company may reinvest the proceeds of sale of any properties or return the capital or profits to Shareholders depending on market conditions prevailing at the relevant time.

Current Investments

Asmita Gardens

On 11 August 2006, Asmita S.A. and Convergence Development (Cyprus) Limited (formerly Dandoe Limited and a subsidiary of the Company) concluded a joint venture agreement pursuant to which and subject to certain conditions precedent (all of which were subsequently met) the parties agreed to incorporate a Romanian special purpose vehicle named Asmita Gardens S.R.L. with the intention that Asmita Gardens S.R.L. would acquire for development four plots of land in Bucharest having an area of 26,922.13 sqm (the "Asmita Gardens Land"). Upon its incorporation, Convergence Development (Cyprus) Limited and Saiyad Muzaffar Hussain (a nominee of Asmita S.A.) each acquired a 50 per cent. share of the issued share capital of Asmita Gardens S.R.L.

Pursuant to a sale and purchase agreement between Asmita S.A. and Asmita Gardens S.R.L. dated 17 October 2006 (the "SPA"), Asmita Gardens S.R.L. purchased for development the Asmita Gardens Land from Asmita S.A. for a purchase price of €14,000,000. The funding of the purchase price was provided by Convergence Development

(Cyprus) Limited and by Asmita Construction Private Limited, a company wholly-owned by Saiyad Muzaffar Hussain, the second shareholder of Asmita Gardens S.R.L.

Asmita Gardens is a large scale residential development project situated in the centre of Bucharest. The development consists of seven tower blocks ranging in height from seven to twenty-four floors which house a total of 788 apartments and provide 823 parking places. There are studio, one, two and three bedroom apartments available as well as a limited number of penthouses. Construction work has begun and it is expected that the first phase of 328 apartments should be delivered by September 2008 and the second phase of 460 apartments by May 2009. As at April 2007, 137 of the phase one units had been pre-sold through paid reservations/pre-contracts. Up to 31 January 2007, the average sale price on apartments was approximately €820 per sqm. Selling prices currently being achieved are approximately €1,250 per sqm.

The general contractor for the project is Strabag SE (Austrian) with project management by Gardiner & Theobald LLP (British) and sales/marketing by Colliers International Property Consultants (Global). The project's principal architect is Westfourth Architecture SA (American/Romanian).

The project's total costs (including land acquisition) are budgeted to be approximately €121 million and sales are anticipated to be approximately €160 million. The project is being financed through approximately €16 million of equity, €51 million of bank debt (with an assumed interest rate of 6.20 per cent.) and €53 million from pre-sales of apartments. Using these estimates and based on the assumptions set out above, the Manager forecasts that the project should generate an annualised IRR (from October 2006 to October 2009) of approximately 44 per cent.*

For further information in relation to Asmita Gardens please see the valuation report at Part VIII of this document.

Further details of the agreements relating to the Asmita Gardens Land acquisition and development are set out at paragraph 7.8 of Part X of this document.

Cascade Euro Tower

Pursuant to a share sale and purchase agreement between East & Central European Venture Capital B.V., as seller, and Convergence Development (Cyprus) Limited (a subsidiary of the Company), as purchaser, dated 4 April 2007, the Group has secured the right to acquire, subject to the fulfilment of certain conditions precedent, 40 per cent. of the shares belonging to the Romanian special purpose vehicle Cascade Park Plaza SRL, which owns land with an area of 1,820.79 sqm located in Bucharest with the purpose of developing an office complex ("Cascade Euro Tower") at a purchase price of €5,000,000. Closing is contemplated to occur not later than 30 September 2007, provided that the conditions precedent are duly and fully met. The shareholders of Cascade Park Plaza SRL have also entered into a related joint venture agreement, dated 4 April 2007, in relation to Cascade Park Plaza SRL and its proposed development of Cascade Euro Tower.

Cascade Euro Tower is a Class A office development in north-central Bucharest. The building is planned to be arranged over nineteen floors with a ground floor reception area and eighteen office floors and is intended to have five underground floors of car park, providing 180 parking places. Approximately 18,000 sqm of above ground construction is expected to provide just over 15,000 sqm of rentable area.

Bovis Lend Lease (British) is acting as the project co-ordinator, monitoring the various sub-contractors. Chapman Taylor LLP (British), working together with a local Romanian company, are acting as the architectural consultants.

The total construction costs (including land acquisition) are estimated to be approximately €36.2 million. It is intended that the project will be funded by approximately €24 million of bank debt with an assumed interest rate of 6.85 per cent. and approximately €12.2 million of equity. The Manager anticipates that the final planning permissions and construction permits should be obtained by the end of June 2007 and construction should begin shortly thereafter. The construction period is anticipated to be 20 months. Based on the assumptions set out above, the Manager forecasts leasing the building at an average monthly rent of €16 per sqm and an exit yield of 6.5 per cent., producing an estimated IRR of approximately 32.5 per cent.*

Further details of the share sale and purchase agreement and the conditions precedent referred to above are set out at paragraph 7.9 of Part X of this document.

Galleria Plovdiv

Pursuant to a shareholders' agreement dated 1 February 2007 between Sienit Holding AD and Pamelko SA on the one hand and European Convergence Development (Malta) Limited (a subsidiary of the Company) ("ECDML") on the other (the "Shareholders' Agreement"), the parties agreed (subject to the fulfilment of various conditions precedent all of which were subsequently met) that European Convergence Development (Malta) Limited would acquire a 50 per cent. interest in 31,375 sqm of land and the related construction rights over such land for the purpose of constructing a shopping and leisure centre in Plovdiv City, Bulgaria ("Galleria Plovdiv").

In accordance with the Shareholders' Agreement, pursuant to a share purchase agreement dated 12 February 2007 between Sienit Holding AD and ECDML, ECDML acquired from Sienit Holding AD, at a purchase price of 25,000 Bulgarian Levs, 250 ordinary voting shares in Galleria Plovdiv AD representing 50 per cent. of the issued share capital of Galleria Plovdiv AD.

Galleria Plovdiv is a Class A retail development located in the centre of Plovdiv, Bulgaria's second largest city. The centre is anticipated to house approximately 100,000 sqm of gross floor area that should lead to approximately 45,000 sqm of rentable floor space. The facility should also provide approximately 1,000 car parking spaces. Final planning permits are anticipated to be obtained in August 2007 with a 24-month construction period to follow.

The total construction costs are estimated to be €58 million (including cost of land) and it is anticipated that this will be financed through approximately €20.2 million of equity and €37.8 million of debt with an assumed interest rate of 7.5 per cent. Based on the assumptions set out above, the Manager anticipates that an average monthly rent of €16 per sqm should be achievable for the project and estimates that an exit in mid to late 2009 at a yield of 7.5 per cent. should produce an IRR of approximately 50 per cent.*

Further details of the Shareholders' Agreement and share purchase agreement, together with a loan agreement and a preliminary construction contract, are set out at paragraph 7.10 of Part X of this document.

Project Pipeline

The Manager is currently reviewing seven further possible projects being retail, office, residential and mixed-use in both Bulgaria and Romania. These projects vary in size from approximately €25m to €120m and involve a possible equity contribution by the Company of between approximately €4m and €25m for each project.

** This target return is illustrative only and based on a number of assumptions which may not materialise. There can be no guarantee that the Company will generate returns at the target level and no profit or dividend forecast is being made or should be inferred. Your attention is drawn to the risk factors set out in Part I of this document.*

PART III – BACKGROUND TO INVESTMENT REGIONS AND SECTORS

The Company will engage in the financing of development projects principally in the target markets of Bulgaria, Romania and Turkey, with the ability to invest in Croatia and Slovakia. The Company will not itself undertake development work. Further information on Bulgaria, Romania and Turkey and various property sectors within those countries is set out below. The Manager is currently finding more opportunities for investment in Bulgaria and Romania than in the other aforementioned countries.

The Manager considers that Bulgaria, Romania, Turkey, Croatia and Slovakia are all experiencing healthy and stable economic growth. The Manager considers that Turkey and Croatia's economic growth will continue up to and beyond each country's anticipated entry into the European Union (EU). Bulgaria, Romania and Slovakia are already EU member states and are enjoying the benefits of membership. Croatia has signed an EU accession treaty and discussions are ongoing. Turkey has not signed an EU accession treaty but it is widely believed that it will seek EU entry by 2015.

Principal Target Countries - Bulgaria, Romania and Turkey

Bulgaria, Romania and Turkey's financial demographics as compared to that of a similar Eastern European EU country (Poland) are as follows:

	GDP/Capital (2007)	GDP Growth	Inflation	Local Interest Rate	Foreign Debt as % of GDP
Bulgaria	4,865	6.0%	4.7%	4.3%	62.6%
Romania	6,898	5.0%	5.3%	9.0%	52.1%
Turkey	6,050	4.5%	8.7%	16.75%	49.9%
Poland	10,128 (4,975 in 2001)	6.5%	2.2%	4.5%	46.8%

Source: UBS statistics & Credit Suisse – Emerging Markets Quarterly 2007

Bulgaria

Bulgaria became an EU member state in January 2007. Bulgaria, although one of the poorest of the new EU entrants in terms of GDP per capita, remains amongst the most economically disciplined countries in the region as can be seen in the following highlights:

- GDP growth of 6.2% in 2006 is expected to continue at a rate of above 5.8% in each of the next two years.
- Inflation was approximately 5% in 2005, a level that the Manager expects to be generally maintained, notwithstanding the spike in inflation in 2006. The Manager believes that the spike in inflation was caused by an increase in wage inflation which the Manager anticipates will come back down.
- Bulgaria has run a fiscal surplus in 2005 and 2006 and is expecting this to continue in each of the next two years. This has allowed gross Government debt as a percentage of GDP to fall from approximately 73.6% in 2000 to approximately 23.4% in 2006.

Bulgaria has maintained a currency board since 1997 and has therefore effectively had the Euro as its national currency for almost a decade. Fiscal discipline and economic reform instituted by the country's last two Governments has allowed Bulgaria to emerge from deep economic malaise.

Bulgaria	2005	2006	2007F
Population (million)	7.7	7.6	7.6
Real GDP growth	5.5%	6.2%	6.0%
Inflation (Dec over Dec)	5.0%	7.3%	4.8%

Source: UBS statistics April 2007

Romania

Romania also became an EU member state in January 2007. This is less than three years after the initial wave of central and eastern European entrants joined in 2004. The continued structural reform undertaken in Romania has allowed economic progress to remain robust, as can be seen in the following highlights:

- GDP growth of 7% in 2006 is expected to continue at 5%+ for the near future.
- Inflation continues to fall, dropping below 7% for the first time in 2006, from 46% in 2000.
- The Manager believes that Romania's medium term future should see continued economic convergence with its wealthier western European neighbours.

Romania	2005	2006	2007F
Population (million)	21.66	21.54	-
Real GDP growth	4.1%	7.0%	5.0%
Inflation (Dec over Dec)	8.7%	4.9%	5.5%

Source: UBS statistics April 2007

Turkey

Turkey's macroeconomic fundamentals are strong despite global liquidity withdrawal in the second quarter of 2006. This correction saw the Turkish Lira fall and the Turkish Central Bank raised short term interest rates to curtail inflationary pressure.

Importantly, however, Turkey is enjoying good fiscal dynamics and resilient debt dynamics, whilst foreign direct investment reached a record US\$19.2 billion in 2006. The ultimate target of EU accession has not been interrupted. However, the 7% average growth rate enjoyed over the past four years is expected to slow to 4.3% in 2007 and 5.3% in 2008, still twice the rate of growth that is forecasted in the Eurozone.

Turkey	2005	2006	2007F
Population (million)	72.47	72.97	-
Real GDP growth	7.4%	6.1%	4.4%
Inflation (Dec over Dec)	7.7%	9.7%	7.4%

Source: UBS statistics April 2007

Fiscal Discipline

Bulgaria will have its fifth straight budget surplus this year and has reduced public debt as a percentage of GDP to 24% from 80% in 2000.

Romania's budget deficit of 2.8% of GDP is its highest in six years but public debt as a percentage of GDP is only 18%. In Poland, for example, this figure is 47%.

Turkey's budget deficit is 2% of GDP; total public debt has fallen to 46% from 69% in 2001.

Rating agencies have recognised this fiscal position and S&P have given Bulgaria a BBB+ rating (same as Poland and Hungary) and Romania a BBB- rating. Turkey remains sub-investment grade at BB-.

Property Sectors

The Company will look at opportunities in the office, industrial, retail, and residential sectors of the Company's target markets. The following section provides an overview of the property markets in Bulgaria, Romania and Turkey.

The following table identifies the average rent and yields currently being seen in Sofia and Bucharest as compared to other Eastern European cities within the EU:

	Average Rent per sqm	Yield
Sofia	€15-22	7.2% - 9%
Bucharest	€17-20	7%
Warsaw	€15	6.0% - 6.5%
Budapest	€14-17	5.25%
Prague	€19-20	5.5%

Source: Colliers International Bulgaria, 2007

Bulgaria

Sofia is the focus of the investment market in Bulgaria. The last two years have seen investor interest particularly focused on the residential sector of Bulgaria. Investments in other sectors of the property market have been hindered by the lack of investment grade property available.

Office Sector

The office real estate market in Sofia continued to develop in 2006, with stock of Class A and Class B offices increasing steadily. 116,000 sqm of new space came on the market during the year, representing a 27% increase on 2005 levels. Supply of office space in suburban areas is growing at a higher rate than central locations. Demand for premium space is continuing and the supply is forecast to continue to grow. Owing to the limited availability of development land in central locations, new construction will continue to be centred in the suburbs. A significant part of the demand comes from multinational companies.

Overall vacancy rates increased from 4.1% to 5.2% during the year following the growing number of new office projects. Average asking rental rates recorded a slight increase during the second half of the year, most significantly for Class A and Class B properties.

Yields for premium properties range from 7.2% to 9%.

Retail Sector

Against a backdrop of stable economic growth and increased consumer spending, the Bulgarian retail sector saw considerable activity in 2006. High street property still accounts for most of the existing prime retail real estate, but shopping malls are increasing in popularity.

Three new shopping centres opened in 2006, adding to the three existing malls throughout the country. In addition, three malls started construction and plans for other shopping centres were announced for several cities throughout the country. In spite of this growth, demand still outstrips supply and the six current malls are fully occupied. These new malls benefit from the ability to provide a modern, efficient shopping experience with good parking facilities and protection from variable weather conditions. Supermarkets, fashion stores, home-electronics, entertainment and fast-food chains comprise most of the demand for mall space.

Rental rates have remained relatively stable. In large shopping malls in Sofia, the rents vary from €30 to €55 per sqm/month, depending on unit size and position, with planned shopping centres in secondary cities charging rents from €15 to €35 per sqm/month.

In the high street, there have been very few vacancies for several years. Lack of parking facilities has been a problem but the prestige of the high street locations remains attractive for retailers, with the main demand coming from boutiques, restaurants, financial companies, telecoms and footwear retailers. There was some speculation that the growth in shopping centres would reduce high street rates. However this has not proved to be the case and demand remains high in areas with good pedestrian traffic.

Several high-profile retail investment transactions were recorded in 2006 and the current yield is estimated to be between 7% and 8% for premium retail properties in primary cities and between 8% and 10% in secondary cities.

Romania

Office Sector

The Bucharest office market is experiencing considerable expansion after several years of limited supply, particularly of higher quality and specification buildings. Pre-leases are a strong feature of the market.

2006 saw record levels of take-up of Class A office space, after two years of relatively stable take-up constrained by lack of new supply. Approximately 163,000 sqm was leased or pre-leased, with financial and IT companies accounting for more than 50% of the space leased, followed by companies in the auto and pharmaceutical sectors.

The Bucharest office market is increasingly orientated to the northern districts of the city, which have the advantages of proximity to the international airport, better quality residential neighbourhoods and availability of larger development sites. Significant infrastructure and commercial developments are underway in the northern districts with the upgrading of the airport road, new shopping centres and extensive new housing developments.

There were fourteen new buildings completed in 2006, distributed equally between prime and secondary locations, and bringing to the market 130,000 sqm of new space. Lease agreements have been signed at an average rent of €18.6 per sqm/month for Class A space and €15.2 per sqm/month for secondary locations.

Most office projects completed in 2006 had been pre-leased in 2005 and this trend continued into 2006. Pre-lease transactions set to be completed in 2007/8 represented 73% of the total demand, an indicator of the extremely low vacancy rates in the market. Owing to several years of low completion levels compared to take-up, the vacancy levels for Class A offices in Bucharest have remained at or below 5% since 2001. By the end of 2006, vacancy rates in prime locations reached a record low of 1.5%, with secondary locations at 14%. Significant demand in the key north area market is expected to keep vacancy rates low going forward.

Retail Sector

No new shopping centres were completed in Bucharest in 2006 but several new shopping centres were opened in secondary cities throughout Romania. Similar regional activity is expected during 2007, with at least eight new openings.

Construction work on an 8,000 sqm extension to Bucuresti Mall is expected to be delivered shortly and was pre-let six months in advance to scheduled completion. There was little change in supply of high street retail space.

Overall vacancy rates in Bucharest were 3.16% in 2006, with regional levels being 9.24%. Demand from retailers is high and existing companies are strengthening their positions in expectation of new brands entering the market. In the food sector, Real, Auchan and Spar all opened in Romania in 2006. The Bucuresti Mall extension is pre-let to new tenants which include Debenhams, Gant and Hilfiger. Coffee shop chains including Costa, Sbarro and Cili Pizza opened their first locations during the year and Starbucks is expected to open shortly.

Average rent for Bucharest's existing shopping centres is €25-€28 per sqm/month, a fall of almost 9% on 2005. Average rents outside of Bucharest are between €18 and €25 per sqm/month.

Residential Sector

During 2006, 19 new residential projects were announced, all with a minimum of 100 units for sale. This compares with 3 projects in the previous year. These projects will be delivered in phases and are expected to provide 11,000 units by 2010. Taking into account other proposed projects, it is estimated that this will bring the total of new retail units available to 15,000.

At the same time, demand is expected to reach in the region of 10,000 units per year by 2010, supported by the forecast continued rise in real salaries, increased FDI and a more flexible range of mortgage products offered by the banks.

Land prices have led developers to favour high rise developments. These have generally been high quality finishes and provide facilities such as security and children's play areas. Developments targeting the demand from the growing middle classes, offer amenities such as pools and kindergartens.

Overall, prices increased by 20% in 2006 with increases being made on a quarterly basis, in line with sales growth and increasing project success. Unit prices range between €900 and €1,850 per sqm, with exclusive, centrally-located projects at the top end and mid-low budget smaller apartments in peripheral locations at the lower end. Financing options have increased; typically, buyers have had to make an advance payment of 20-30%, followed by 50-70% in instalments during construction and the balance on delivery. Developers are now offering finance plans whereby buyers pay 25-30% on pre-purchase and the balance on delivery which enables a buyer to obtain a mortgage more easily.

Turkey

Office Sector

During 2006, there was an increase in the number of transactions in the office market and a decrease in general Class A and Class B vacancy rates, although both still exceed 10%. Vacancy levels are mixed according to region. Several key business districts have vacancy levels of below 5%, while the airport zone has vacancy levels of over 30%. Rents also vary, with Class A locations at US\$16 – US\$20 per sqm/month and Class B as low as US\$7 per sqm/month.

Retail Sector

The retail market is developing rapidly in Istanbul. There are currently 43 shopping centres with an additional 35 under construction and 30 retail centres in the project planning phase. Over half of the gross leaseable area in Turkey is in Istanbul and competition in this area has increased. In an effort to differentiate themselves, new malls have utilised strong project design and diversified shop mixes.

Over 2005/6, a number of new international brands entered the Turkish market, including the opening of Harvey Nichols and Debenhams. Space is expected to increase in Istanbul from approximately 2.2 million sqm at the end of 2006 to approximately 4.2 million sqm by the end of 2008. Approximately 80% of shopping centre developments under planning or construction are being constructed on the European side of the city.

Residential Sector

The residential sector in Turkey is strong and active in both supply and demand. The number of Class A projects continues to grow but the last few years have also seen an increase in residential projects targeted at middle and upper income groups. Growth is focussed on regions with superior infrastructure support – gas, telecommunications, electricity lines, utility services and access to the new retail centres. Prices in these developments range from US\$400 to US\$1,200 per sqm.

PART IV – INVESTMENT STRATEGY AND PROCESS

INVESTMENT STRATEGY

The Company intends to invest in a range of early developments which may comprise any or all of the following sectors in South-East Europe: residential, retail, commercial and industrial property. The principal target countries are Bulgaria, Romania and Turkey. Opportunities in Croatia and Slovakia may also be sought. The Manager is currently finding more opportunities for investment in Bulgaria and Romania than in the other aforementioned countries. The Company will primarily seek to invest in early stage developments whereby it co-invests with local and international property developers. Whilst considered unlikely, the Company could be the sole investor on any particular project.

The Manager intends that the Company should be fully committed for investment within 12 months of Admission. Pending investment, money will be invested in bank deposits or fixed income securities issued by governments or banks but not corporate bonds.

It is anticipated that the Group's investment portfolio will be between 6 to 12 investments. Upon completion of the investment programme, it is anticipated that, at that time, no single investment will represent more than 50 per cent. of the Company's total capital. In exceptional circumstances the Company may make an investment which represents in excess of 50 per cent. of the Company's total capital. In such circumstances the anticipated investment portfolio may be correspondingly reduced below the number of investments described above.

In recommending each property investment to the Board, the Manager will take into account the following factors: (i) location; (ii) marketability; (iii) price; (iv) projected tenant profile; (v) its perception of the level of rent achievable; and (vi) the track record of the developer. The Manager will compile a transaction report based on its analysis of the above factors and any other relevant matters which will be presented to the Board for approval.

INVESTMENT PROCESS

The Manager will be responsible for identifying new investment opportunities for the Company that fall within the investment criteria set out in this document. Following the identification of a potential new investment opportunity, Charlemagne Capital will be responsible for carrying out all due diligence into the proposition and for negotiating the terms of investment on behalf of the Company. Charlemagne Capital will present each proposed investment opportunity to the Directors who will have final sanction over the Company's investment decision.

The principal considerations in assessing potential investments are: (i) permissions are substantially in place for the project to proceed; (ii) the developer is reputable with an existing track record; (iii) at least 30 per cent. of the project can be financed through debt; (iv) each project will have a targeted IRR of approximately 35 per cent. or above; (v) the developer is co-investing in the project; (vi) development projects will last no longer than three years from capital draw down to completion; and (vii) the pre-agreement of all co-investors (market conditions permitting) to sell the property on completion of development and tenancing.

While not all considerations will be present in all projects, they will form a guideline of factors sought in respect of each project.

DIVIDEND POLICY

The Directors will decide in respect of any 12-month accounting period as to what percentage of the Company's realised net profits available for distribution (if any) they will recommend as the sum for payment as a dividend. This decision will take into account the opportunities available to the Company for further investment. The Directors may pay half-yearly interim dividends if they believe that the financial position of the Company justifies it. If the Company's funds are fully invested, the Directors may re-invest some of the Company's profits into the maintenance of the Company's property portfolio or on further investments.

PROPERTY VALUATION POLICY

Given the difficulty in valuing development projects during construction, the Company intends to hold each project at the lower of cost and net realisable value until development completion. Should the property remain unsold twelve

months after development completion, the Directors intend to appoint an internationally recognised firm of surveyors as property valuers to conduct annual valuations as long as such properties are held by the Company.

NET ASSET VALUE CALCULATION

The net asset value of the Company will be calculated as at the close of business on the last Business Day of March, June, September and December each year and will be published in the audited annual accounts and the interim accounts of the Company.

PART V – MANAGEMENT, ADVICE AND ADMINISTRATION

BOARD OF DIRECTORS

The Board comprises four non-executive directors as follows:

Erwin Brunner (*Non-executive Chairman*), aged 64, is a Swiss national. Mr Brunner is managing director of BrunnerInvest AG Zurich, an investment advisory and management company, which he founded in 1991 and which is a member of the Swiss Association of Asset Managers. A graduate of the Institute of Management Development in Lausanne and Harvard Business School in Boston, Mr Brunner commenced his career at Sandoz Products Limited in the UK following which, in 1963, he joined the Swiss Bank Corporation working in both Geneva and Zurich. In 1986, he was appointed senior vice president in charge of its investment group. For a short time Mr Brunner worked for Kidder Peabody & Co. Inc. in New York before moving in 1989 to take up the position of general manager with Rothschild Bank AG in Zurich.

James Carew Rosapepe (*Non-executive Director*), aged 56, is an American national. Mr Rosapepe is an entrepreneur with extensive experience in U.S. public service at the national, state, and local levels. In 2001, he completed a three-year term as U.S. Ambassador to Romania. A businessman before his appointment as an ambassador, Mr Rosapepe has participated in financing real estate projects and investing in commercial banks and small businesses in the United States. From 1995 to 1997 he chaired the investment committee of the Albanian American Enterprise Fund, a US\$30 million private equity fund.

Alexander Anderson Whamond (*Non-executive Director*), aged 47, is a British national. Mr Whamond is managing director of Charlemagne Capital (IOM) Limited. He began his career in 1983 at White Weld Securities (part of the CSFB group) before joining Salomon Brothers International in London in 1986 and then Morgan Stanley International in 1989 where he was a principal in charge of convertible bond trading. He joined Peregrine Securities International (UK) Limited in 1993. In 1996 Mr Whamond relocated to Hong Kong to run the equity trading businesses of Peregrine Investment Holdings Limited. In 1997 he was made a director of the executive committee of the Peregrine group. In 1998 Mr Whamond joined the Regent Pacific Group, a Hong Kong listed international emerging markets investments group as head of corporate investments and relocated to the Isle of Man. He subsequently left that company in August 2000 to pursue his own interests, but remains a non-executive director. Mr Whamond took up his current position in September 2002.

Donald Cecil McCrickard (*Non-executive Director*), aged 70, is a British national. Mr McCrickard was formerly Group Chief Executive of the TSB Group plc (now LloydsTSB Group plc) and Chairman of Hill Samuel, its merchant-banking subsidiary. He was a member of the Executive Committee of the British Banker's Association and a member of the Bank of England's Deposit Protection Board. Prior to joining the TSB Group, Mr McCrickard was a director of American Express International Inc. and chief executive of its Europe/Middle East/Africa and Asia/Pacific/Australia operations. Since his retirement as a full time banker, he has been actively involved in the commercial and residential property markets having been a director of four London Stock Exchange listed companies, two of which he has chaired.

MANAGER

Charlemagne Capital (IOM) Limited, the Company's investment manager, is regulated by the Isle of Man Financial Supervision Commission for investment and corporate service provider business.

The Charlemagne Group, which includes the Manager and the Placing Agent, specialises in managing public and private equity funds in emerging markets. Its private equity and property team have historically focused on central Europe and south-east Europe. The Charlemagne Group currently manages assets worth approximately US\$4.65 billion.

The Charlemagne Group is an independent asset management group listed on AIM whose formula for successful investment consists of its rigorous, value-based, 'bottom-up' investment selection process, its information advantage derived from primary research and its disciplined approach to portfolio construction and risk management.

The Charlemagne Group's focus has been on emerging markets and its success, in terms of fund performance, business growth and industry awards, has cemented the group's reputation as an emerging markets specialist.

The Charlemagne Group has an experienced and committed team of investment professionals focusing on investing in global emerging markets plus a strong organisational infrastructure and a dedicated client support team.

The Charlemagne Group's private equity team draws upon a wealth of regional experience. The team has made both acquisitions and disposals in several regional markets and has considerable property and financial expertise. The Charlemagne Group has made eleven substantial private equity investments in southern Europe over the past seven years, generating positive returns for the investors in each investment exited. The following paragraphs summarise six specific real estate investments:

Tsum AD was acquired in March 1998 during the privatisation programme in Bulgaria and sold in December 2004. A department store at the time of acquisition, the Charlemagne Group shut the centre down during a fifteen-month renovation programme. Upon completion, the centre opened as the premier shopping and office centre in Bulgaria. Despite vacancy rates of 20 per cent. in Sofia, the property quickly became fully leased. The centre was sold to a Bulgarian property company.

Kinomatografi was acquired in 2000 at which time the company was a break-even film exhibitor with fourteen single screen cinemas located in and around Zagreb. Believing that single screen cinemas are not economically viable, the Charlemagne Group has liquidated its property portfolio, selling each of the individual properties. It is anticipated that this process will be completed during 2007 and the cash proceeds returned to investors upon final liquidation.

European Convergence Property Company plc ("ECPC") was established and its shares listed on AIM in June 2005 to target income producing real estate assets in the markets of South-East Europe. The investment strategy of ECPC is to invest in commercial, retail and industrial property in Bulgaria, Romania and Turkey, taking advantage of high yields and the potential for capital appreciation. Examples of the acquisitions made by ECPC to date are included below:

PGV Tower, located in central Bucharest, was acquired in 2006 for €24 million. PGV Tower, completed in 2003, consists of two adjoining towers, one of six floors and a second of fourteen floors. The Manager expects that the property will generate a projected running yield of over 10 per cent. after all expenses and taxes on ECPC's net equity contribution. The property was acquired from a well-known Romanian property developer.

Mall Veliko Turnovo (MVT) is a new shopping centre located in Veliko Turnovo, Bulgaria that was acquired for ECPC in May 2006. The total consideration for this acquisition was €29 million payable in cash and the Manager expects the investment to generate running yields in excess of 11 per cent. on ECPC's net equity contribution over an assumed five-year holding period of the asset. MVT will enjoy a major competitive advantage as the only modern and sizeable shopping centre in Veliko Turnovo.

Construdava is a new office building located in Bucharest. Construdava is developed by Romania's only listed property developer, Impact S.A. It is located in Pipera, a predominantly upscale residential part of Bucharest, and consists of approximately 9,200 sqm of gross lettable area. The property was acquired for ECPC in June 2006 for a total consideration of €19 million payable in cash.

Millennium Business Centre is the most recent ECPC acquisition and was completed in January 2007. Millennium Business Centre is a new developed Class A office building located in central Bucharest. The building consists of 14,310 sqm of gross lettable area over 19 floor levels, making it a new landmark property for central Bucharest. In addition, a further four basements provide commercial and car parking areas. The purchase price, including transaction costs, was approximately €42.5 million. The investment is forecast to generate running yields of approximately 9.5 per cent. on ECPC's net equity contribution.

OTHER KEY INDIVIDUALS

The following individuals from the Charlemagne Group are closely involved with the management of the Company and its investments:

Dennis Selinas (*Property Adviser to Charlemagne Capital (IOM) Limited*), aged 38, is Greek/Canadian. Dennis joined Charlemagne Capital in 2005 as a property adviser to its real estate investments in South-East Europe. Dennis has been involved in private equity transactions in South-East Europe since 2002 during his time as a director of Argo CM, where he was responsible for formulating the investment strategy and executing transactions in the region. Previous to this Dennis was at Lazard, within its Corporate Finance division in the UK, where he participated in the execution of a

number of major transactions. He holds a Masters in Finance from the London Business School and a Masters in Economics from University of Toronto, Canada, plus a BA in Economics from the University of Western Ontario.

David Curl (*Executive Director and the Investment Director of Charlemagne Capital Limited, the parent company of the Manager*), aged 36, is a Canadian national. David joined the Charlemagne Group in 1994, specialising in equity investments in emerging markets. Since then David has been involved in the management of the Charlemagne Group's Russian and emerging European regional companies. In May 2000, he was appointed investment director and is also responsible for the group's private equity and direct investment programme. David has led all private equity acquisitions and disposals made by Charlemagne Capital over the past eight years. David's responsibilities include final investment recommendations and due diligence/transaction management. He holds a degree in Economics from the University of Richmond USA, and an MBA from L'Institut Supérieur de Gestion in Paris.

Alan Cartlidge (*Property Adviser to Charlemagne Capital (IOM) Limited*), aged 43, is a British national. Alan has been involved in eastern Europe since 1993 when he became country manager for project management and property consultants D G Jones & Partners ("DGJ") in Bulgaria. In 1997 Alan became the regional east European manager for DGJ's companies in Bulgaria, Ukraine and Romania. As property adviser to Charlemagne Capital, Alan has responsibility for the identification and appraisal of new projects throughout the central and east European region and the management of property investments in Bulgaria and Croatia. This includes the procurement and supervision of redevelopment projects, company re-structuring and property management to realise optimum asset value leading to management of exit transactions. In addition to being an Associate of the Royal Institution of Chartered Surveyors, he holds a Bachelor of Science in Quantity Surveying from the University of Westminster and has an MBA from the Open University Business School.

Hans van Griethuysen (*CEO of Charlemagne Capital Limited's financial institution private equity group*), aged 53, is a Dutch national. Hans joined the Charlemagne Group in 2001 and became an executive director of Charlemagne Capital Limited on 1 December 2003. Hans has been active in international banking for 22 years with Rabobank and ABN Amro. As executive vice president of Rabobank's International Head Office, he was responsible for international strategy and privatisation efforts, having previously been the head of the Bank's Irish, French and Indonesian operations. Hans has overall responsibility for the management of investee banks in the private equity programme. He primarily works with management at each bank to develop and implement business development plans, implement mergers and prepare the banks for eventual sale. Hans will be responsible for developing and implementing the desired capital structure for the Company by seeking to obtain the best terms possible from his regional banking network. He is a Harvard Business School Alumnus (AMP 156) and holds an MBA from the Delft/Erasmus University in Holland.

CONFLICTS OF INTEREST

The Directors, the Manager and any member of the Charlemagne Group and any of their shareholders, officers, employees, agents and affiliates ("Interested Parties") may be involved in other financial, investment or other professional activities which may on occasion cause conflicts of interest with the Company. The Manager (or any other Interested Party) may, for example, make investments on its own behalf or for other clients. The Directors and the Manager will ensure that the performance of their duties, including their duty to act in the best interest of the Company, will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly. Notwithstanding this undertaking to resolve issues fairly, situations may arise in which the Manager's own account activities or those of its affiliates or those made on behalf of other clients may disadvantage the Company. Any Interested Party may hold Ordinary Shares. Furthermore, any Interested Party may, subject to applicable laws and regulations, receive commissions which it may negotiate in relation to any sale or purchase of any investments of the Company effected by it for the account of the Company as the case may be.

MANAGEMENT FEE AND INCENTIVISATION

Pursuant to the Management Agreement, the Manager receives an annual management fee of 2 per cent. per annum of the net asset value of the Company, payable quarterly in arrears. The net asset value is calculated at the close of business on the last Business Day of March, June, September and December each year and the fee is payable within 14 days thereafter or as soon as is practicable following the calculation of the net asset value. In addition, with effect from Admission, the Manager will be entitled to a performance fee payable at the end of each financial year of an amount equal to 15 per cent. of any excess of the net asset value per Ordinary Share (with any dividends added back) over the Benchmark Net Asset Value per Ordinary Share multiplied by the time weighted average number of shares in

issue during that financial year. For these purposes the Benchmark Net Asset Value per Ordinary Share shall be equal to the higher of (i) the Placing Price; (ii) 0.80 Euros increased by 20 per cent. per annum compound from the closing of the Initial Placing until Admission; and (iii) the highest net asset value per Ordinary Share following Admission and giving rise to the payment of a performance fee.

The Manager shall also be entitled to re-charge to the Company all and any costs and disbursements reasonably incurred by it in the performance of its duties including costs of travel.

All amounts payable to the Manager by the Company shall be paid together with any value added tax, if applicable.

ADMINISTRATOR

The Administrator is a private limited company incorporated with number 112244C on 23 November 2004 with unlimited duration under the Law. The Administrator, which is a privately-owned company, has been appointed by the Company as its administrator. Pursuant to the Administration Agreement, the Administrator is responsible for providing administrative services required in connection with the Company's operations, including assistance in the preparation of annual and semi-annual financial statements for the Company, calculation and publication of the Company's net asset value, and registrar and transfer agency services.

The Administrator is the holder of an investment business licence issued under Section 3 of the Investment Business Act 1991 of the Isle of Man and, as such, is an authorised person licensed to conduct investment business by the Isle of Man Government Financial Supervision Commission. The Administrator is also the holder of a corporate service provider licence issued under Section 3 of the Corporate Service Providers Act 2000 of the Isle of Man and, as such, is licensed as a corporate service provider by the Isle of Man Government Financial Supervision Commission.

The Administrator will be entitled to receive a fee of 8 basis points of the net assets of the Company, subject to a minimum monthly fee of €5,000, payable quarterly in arrears.

The Administrator shall assist in the preparation of the financial statements of the Company for which it shall receive a fee of €2,500 per set.

The Administrator may utilise the services of a CREST accredited registrar for the purposes of settling share transactions through CREST. The cost of this service will be borne by the Company. It is anticipated that the cost will be in the region of £6,000 per annum subject to the number of CREST settled transactions undertaken.

The Administrator shall provide general secretarial services to the Company for which it shall receive a minimum annual fee of €7,500. Additional fees based on time and charges, will apply where the number of Board meetings exceeds four per annum. For attendance at meetings not held in the Isle of Man, an attendance fee of €750 per day or part thereof will be charged.

The Administrator expects to review and, subject to written agreement between the Company and the Administrator, may amend the foregoing fees annually.

CUSTODIAN

The Custodian is a public limited company incorporated with number 37910C on 21 March 1988 under the Companies Acts 1931 to 1986 of the Isle of Man. The Custodian is wholly owned by Anglo Irish Bank Corporation plc and has been appointed as the Company's custodian and banker. The Custodian is responsible for providing custodial and banking services to the Company.

The Custodian is the holder of a banking licence issued under Section 6(1) of the Banking Act 1998 (as amended) of the Isle of Man and, as such, is an authorised person licensed to conduct banking and investment business by the Isle of Man Government Financial Supervision Commission.

Pursuant to the Custodian Agreement, the Custodian will be responsible for all cash and debt securities assets of the Company but not for property or for any vehicles used to hold property. Those assets held by the Custodian will be held to the order of the Company.

The Custodian may appoint sub-custodians, agents or delegates (together "Sub-Custodians") provided that the Custodian shall exercise reasonable skill, care and diligence in the selection of a suitable Sub-Custodian and shall be responsible to the Company for satisfying itself as to the ongoing suitability of the Sub-Custodians to provide custodial services to the Company. The Custodian will also maintain an appropriate level of supervision over the Sub-Custodians and will make appropriate enquiries periodically to confirm that the obligations of the Sub-Custodians continue to be competently discharged. The Custodian shall not be liable in the event of the loss of any assets held by a Sub-Custodian provided that such Sub-Custodian exercised reasonable care and acted without negligence or wilful default.

The Custodian will be entitled to receive fees calculated as 2 basis points per annum of the gross value of non-real estate assets held on behalf of the Company, subject to a minimum monthly fee of €500, payable quarterly in arrears.

The Custodian expects to review and, subject to written agreement between the Company and the Custodian, may amend the foregoing fees annually.

OTHER OPERATING EXPENSES

All costs, to include the costs of all third party service providers not referred to above, shall be chargeable to and payable by the Group. The Group shall be responsible for paying all the fees and expenses of all valuers, surveyors, legal and financing advisers and other external advisers to the Group in connection with any investments made on its behalf.

FINANCIAL INFORMATION AND REPORTS

The Company's financial year end is 31 December in each year. The audited annual accounts will be sent to Shareholders within six months of the year end to which they relate. Half year or interim accounts will be sent to Shareholders within three months of the relevant financial period end to which they relate.

Solely for the purpose of the Company's admission to trading on AIM, the Company prepared and distributed to Shareholders audited annual accounts for the period 24 July 2006 (the Company's date of incorporation) to 31 December 2006. The next audited annual accounts, for the year ended 31 December 2007, will be sent to Shareholders within six months thereafter.

CORPORATE GOVERNANCE

The Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies, as soon as practicable and so far as possible given the Company's size and nature of business, with the Combined Code.

The Board has established an audit committee, comprising not less than two offshore directors of the Board.

The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

Since all of the Directors are non-executive, the Company does not consider it necessary to establish remuneration and nomination committees. The Board as a whole will monitor performance and remuneration and plan for succession of the Board, either through board meetings or, if appropriate, through the use of an appropriately constituted committee.

The Company has adopted the Model Code on dealings of directors and employees in securities as set out in Annex 1 of Rule 9 of the Listing Rules of the UKLA for the Directors with effect from Admission and will take steps to ensure compliance by the Directors with the terms of this code. The adoption by the Company of the Model Code is without prejudice to the obligation of the Company and the Directors to comply with Rule 21 of the AIM Rules for Companies. In the case of conflict between the provisions of the Model Code and Rule 21 of the AIM Rules for Companies the provisions of Rule 21 of the AIM Rules for Companies will be observed.

PART VI – PLACING AND RELATED MATTERS

THE PLACING

The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

The Placing is conditional on, *inter alia*, the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission and the Company receiving the minimum Placing proceeds of €20 million on or before the date of Admission (or such later date as the Company and the Placing Agent may agree, but in any event no later than 31 July 2007). In the event the Placing Agreement becomes unconditional the Company shall pay directly to the Placing Agent an amount equal to 4 per cent. of the amount of money raised by the Placing Agent on behalf of the Company pursuant to the Placing. Further information on the Placing Agreement is set out in paragraph 7.4 of Part X of this document.

The Placing is intended to raise €60 million before expenses for the Company. The expenses of the Placing are estimated at approximately €3,185,615.

The net proceeds of the Placing will be approximately €56,814,385. It is intended that the net proceeds of the Placing will be applied principally to the Company's investment strategy as described in this document.

Dealings in the Placing Shares on AIM are expected to commence on 21 June 2007. Placees may hold their Ordinary Shares through CREST or in their own name, in registered form. No share certificates or temporary documents of title will be issued. It is expected that the appropriate CREST accounts will be credited with effect from 21 June 2007. Contract notes will be despatched by post to those placees holding Ordinary Shares in registered form by not later than 25 June 2007. Pending despatch of contract notes or crediting of CREST accounts, the Company's registrars will certify any instrument of transfer against the register.

Existing Shareholders wishing to hold their Ordinary Shares through the CREST system (see "CREST" below) may do so by way of transfer. Shareholders will be required to complete a form of transfer which can be obtained from the Administrator.

Delivery versus payment settlement is possible subject to the fulfilment of certain conditions set out in the placing letter to be issued to prospective investors.

Save for Directors or employees of the Charlemagne Group, the minimum investment under the Placing shall be €100,000.

The Placing is being made on a private placement basis to persons falling within the following description:

- (a) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of their business; or
- (b) persons who it is reasonable to expect will acquire, hold, manage or dispose of the Placing Shares (as principal or agent) for the purposes of their businesses; or
- (c) a restricted circle of persons reasonably believed to be sufficiently knowledgeable to understand the risks involved in accepting the offer constituted by this document; or
- (d) a restricted circle of persons numbering no more than fifty whom it is reasonable to believe will acquire Placing Shares for investment purposes and not with a view to their imminent resale.

Each placee will be required to warrant with regard to his subscription for Placing Shares that he is a person falling within paragraph (a) or (b) above. In the event that applicants for Placing Shares numbering more than fifty indicated that they wish to be considered within paragraph (d) above, such applicants may be rejected at the discretion of the

Directors so that the total number of applicants applying for Placing Shares and who state that they so wish to be considered within paragraph (d) shall not exceed fifty.

SCALING BACK

The Directors reserve the right at their absolute discretion, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application for Ordinary Shares under the Placing.

FORM OF SHAREHOLDING

Investors may hold their Ordinary Shares in registered form or through CREST. No share certificates or temporary documents of title will be issued. Contract notes will be despatched in respect of all Ordinary Shares placed under the Placing subsequent to allotment.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares under the CREST system. All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 21 June 2007. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

Existing Shareholders wishing to hold their Ordinary Shares through CREST may do so by way of transfer. Shareholders will be required to complete a form of transfer which can be obtained from the Administrator.

LOCK-IN ARRANGEMENTS

In accordance with the lock-in requirements of the AIM Rules for Companies, the Directors, certain related parties and applicable employees (both as defined under the AIM Rules for Companies), including Charlemagne Capital Limited, have agreed, pursuant to the Introduction Agreement and certain lock-in agreements, not to dispose of their Ordinary Shares (if any) for a period of 12 months from the date of Admission and to observe certain orderly market requirements in relation to the disposal of their Ordinary Shares for a further 12 months.

ADMINISTRATION AND CUSTODY

Information regarding the administration and custody arrangements of the Company are set out in paragraphs 7.2 and 7.3 respectively of Part X of this document.

ANTI-MONEY LAUNDERING PROCEDURES

Due to anti-money laundering requirements operating within various jurisdictions, including the Isle of Man and the UK, the Administrator will require evidence of identification from applicants and/or persons on whose behalf an application is made in the Placing.

By way of example only, an individual will be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, the police or the ambassador in his/her country of residence, together with evidence of his/her address such as a utility bill or bank statement. Corporate applicants will be required to produce a certified copy of the certificate of incorporation (and any change of name), a certified copy of the memorandum and articles of association (or equivalent), and names, occupations, dates of birth and residential and business addresses of all directors and certain beneficial owners.

The Administrator, on behalf of the Company, reserves the right to request such information as is necessary to verify the identity of an initial applicant or a transferee. In the event of delay or failure by the applicant to produce any

information required for verification purposes, the application may be refused and subscription monies will be returned to the bank account from which they were remitted. No Shares will be allotted to an applicant, and no transfer will be registered, until the identity of the applicant or the transferee, as the case may be, has been verified to the satisfaction of the Administrator.

RISK FACTORS

Certain risk factors in relation to the Company and its business are brought to your attention in Part I of this document.

TAXATION

Information regarding UK and Isle of Man taxation with regard to potential Shareholders is set out in Part IX of this document. No other taxation advice is being provided to Shareholders in this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

DURATION

The Company currently does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, at the annual general meeting of the Company in 2016 an ordinary resolution will be proposed that the Company ceases to continue as presently constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in Part X of this document.

PART VII – FINANCIAL INFORMATION ON THE COMPANY

The financial information set out in this Part VII has been extracted without material adjustment from the audited Consolidated Annual Report for the Company for the period from 26 July 2006 (the Company's date of incorporation) to 31 December 2006.

Report of the Independent Auditors, KPMG Audit LLC, to the members of European Convergence Development Company plc

We have audited the Group and Parent Company financial statements (the "financial statements") of European Convergence Development Company plc for the period from 26 July 2006 (date of incorporation) to 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with applicable Isle of Man company law and International Financial Reporting Standards, of the state of the Group's and Parent Company's affairs as at 31 December 2006 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit LLC, Isle of Man

Chartered Accountants

14 May 2007

Consolidated Income Statement

	Note	For the period from 26 July 2006 (date of incorporation) to 31 December 2006
		€'000
Net rent and related income		-
Manager's fees	7.3	(184)
Audit and professional fees	8.5	(26)
Other operating expenses	8.3	(91)
Administrative expenses		(301)
Net operating loss before net financing income		(301)
Financial income	5	263
Financial expenses	5	(2)
Net financing income		261
Share of loss of equity accounted investees	9	(49)
Loss before tax		(89)
Income tax expense	17	-
Retained loss for the period		(89)
Basic and diluted loss per share (€)	13	(0.0023)

The Directors consider that all results derive from continuing activities.

Consolidated Balance Sheet

	Note	At 31 December 2006 €'000
Investment in equity accounted investees	9	476
Total non-current assets		476
Trade and other receivables	10	7,969
Cash and cash equivalents	11	22,030
Total current assets		29,999
Total assets		30,475
Issued share capital	12	30,457
Retained losses		(209)
Total equity		30,248
Interest-bearing loans and borrowings		-
Total non-current liabilities		-
Trade and other payables	14	227
Total current liabilities		227
Total liabilities		227
Total equity & liabilities		30,475

Approved by the Board of Directors on 14 May 2007.

Company Balance Sheet

	Note	At 31 December 2006 €'000
Investment in subsidiaries	2	-
Total non-current assets		-
Intragroup balances		9,564
Trade and other receivables		73
Cash and cash equivalents	11	20,948
Total current assets		30,585
Total assets		30,585
Issued share capital	12	30,457
Retained earnings		94
Total equity		30,551
Interest-bearing loans and borrowings		-
Total non-current liabilities		-
Trade and other payables	14	34
Total current liabilities		34
Total liabilities		34
Total equity & liabilities		30,585

The profit earned by the Company for the period from 26 July 2006 (date of incorporation) to 31 December 2006 was €213,890.

Approved by the Board of Directors on 14 May 2007.

Consolidated Statement of Changes in Equity

for the period from 16 July 2006 (date of incorporation) to 31 December 2006

	Share capital €'000	Retained earnings €'000	Total €'000
Balance at beginning of period	-	-	-
Shares issued in the period	30,457	-	30,457
Share issue expenses	-	(120)	(120)
Retained loss for the period	-	(89)	(89)
Balance at end of period	30,457	(209)	30,248

Consolidated Cash Flow Statement

For the period from 26 July 2006 (date of
incorporation) to 31 December 2006

€'000

Operating activities

Loss before tax (89)

Adjustments for:

Financial income (263)

Financial expense 2

Share of loss of equity accounted investees 49

Operating loss before changes in working capital (301)

Increase in trade and other receivables (81)

Increase in trade and other payables 227

Cash used in operations (155)

Financial expenses paid (2)

Financial income received 263

Cash flows from operating activities 106

Investing activities

Acquisition of equity accounted investees (525)

Loans to equity accounted investees (7,888)

Cash flows used in investing activities (8,413)

Financing activities

Proceeds from the issue of ordinary share capital 30,457

Share issue expenses (120)

Cash flows generated from financing activities 30,337

Net increase in cash and cash equivalents 22,030

Cash and cash equivalents at 26 July 2006 -

Cash and cash equivalents at 31 December 2006 22,030

Notes to the Consolidated Financial Statements

1 The Company

European Convergence Development Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 26 July 2006 as a public company with registered number 117309C.

Pursuant to a prospectus dated 2 August 2006 there was an original placing of up to 37,500,000 Ordinary Shares. An addendum to the prospectus, dated 11 September 2006, increased the maximum Ordinary Shares of the original placing from 37,500,000 to 50,000,000. Following the close of the placing on 12 September 2006 38,071,000 shares were issued.

The Company's agents and the Manager perform all significant functions. Accordingly, the Company itself has no employees.

Duration

In accordance with the Company's Articles of Association, Shareholders will be given the opportunity to vote on the life of the Company after approximately 10 years.

At the annual general meeting of the Company to be held in 2016, the Directors are obligated to propose an ordinary resolution that the Company ceases to continue in existence. If the resolution is not passed then it shall be proposed at every fifth annual general meeting thereafter. If the resolution is passed then the Directors shall, within 3 months after the date of the resolution, put forward proposals to shareholders to the effect that the Company be wound up, liquidated, reorganised or unitised.

Dividend Policy

The Directors will decide in respect of any 12-month accounting period as to what percentage of the Company's realised net profits available for distribution (if any) they will recommend as the sum for payment as a dividend. This decision will take into account the opportunities available to the Company for further investment. The Directors may pay half-yearly interim dividends if they believe that the financial position of the Company justifies it. If the Company's funds are fully invested, the Directors may re-invest some of the Company's profits into the maintenance of the Company's property portfolio or on further investments.

Financial Year End

The financial year end of the Company is 31 December in each year. For the financial period ending 31 December 2006 the Company will present financial statements covering a 5 month period since incorporation.

2 The Subsidiaries

During the period and for efficient portfolio management purposes, the Company established the following subsidiary companies:-

European Convergence Development (Cayman) Limited ("ECDC Cayman")

ECDC Cayman was incorporated in the Cayman Islands on 26 July 2006 under the provisions of The Companies Law (2004 Revision), Cap 22 as a limited liability company (registration number MC- 171615). ECDC Cayman has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 1 share was issued to European Convergence Development Company plc on 26 July 2006. The Directors of ECDC Cayman are James Houghton and Malcolm Sargeant (each appointed 26 July 2006).

Convergence Development (Cyprus) Limited ("CD Cyprus")

CD Cyprus was incorporated in Cyprus on 17 July 2006 under the provisions of the Companies Law, Cap. 113 as a limited liability company (registration number HE 180554). The company was incorporated with an authorised share capital of €1,000 divided into 1,000 shares of €1 each. 1000 shares were issued to European Convergence Development Company (Cayman) Limited (the company's parent) on 23 August 2006. The Directors of CD Cyprus are James Houghton, Malcolm Sargeant, Koulla Antoniadou, Arlene Nahikian and Costas Christoforou (all appointed 27 July 2006).

European Convergence Development (Malta) Limited ("ECD Malta")

ECD Malta was incorporated in Malta on 31 August 2006 under the provisions of Section 77 of the Companies Act 1995 as a limited liability company (registration number C39453). The company has an authorised share capital of €10,000 divided into 10,000 shares of €1 each. 1,199 shares were issued to European Convergence Development (Cayman) Limited (the direct parent) and 1 share was issued to Osiris Trust Limited on 31 August 2006. The Directors of ECD Malta are James Houghton, Malcolm Sargeant, Stuart Blackburn and Joseph Fenech (each appointed 31 August 2006).

European Real Estate Development Invest SRL ("EREDI Romania")

EREDI Romania was incorporated in Romania on 17 October 2006 under the provisions of the Companies Law No. 31/1990 as a limited liability company (registration number J/40/16342, Sole Code of Registration number 19104185). The company has an authorised share capital of RON 200 divided into 20 shares of RON 10 each. 20 shares were issued; 1 share to James Houghton and 19 shares to Convergence Development (Cyprus) Limited (the direct parent) on 17 October 2006. The Directors of EREDI Romania are James Houghton and Malcolm Sargeant (each appointed 4 October 2006).

Convergence Development Invest SRL ("CPI Romania")

CPI Romania was incorporated in Romania on 8 May 2007 under the provisions of the Companies Law No. 31/1990 as a limited liability company (registration number J40/8903/8.05.2007, Sole Code of Registration number 21696909). The company has an authorised share capital of RON 200 divided into 20 shares of RON 10 each. 20 shares were issued; 1 share to James Houghton and 19 shares to Convergence Development (Cyprus) Limited (the direct parent) on 8 May 2007. The Directors of CPI Romania are James Houghton and Malcolm Sargeant (each appointed 14 April 2007).

3 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The annual report of the Company for the period ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "Group").

The annual report was compiled by the Administrator and Registrar and authorised for issue by the Directors on 14 May 2007.

3.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IFRS"). Management has concluded that the report fairly represents the entity's financial position, financial performance and cash flows.

The Company is denominated in Euros ("€") and therefore the amounts shown in these financial statements are presented in €.

3.2 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies as at the date of these financial statements are translated to € at exchange rates prevailing on that date. Realised and unrealised gains and losses on foreign currency transactions are charged or credited to the income statement as foreign currency gains and losses. Expenses are translated into € based on exchange rates on the date of the transaction.

3.3 Deposit interest

Deposit interest is accounted for on an accruals basis.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash deposited with banks and bank overdrafts repayable on demand.

3.5 Revenue and expense recognition

Interest income is recognised in the financial statements on an accruals basis. Dividend income is recorded when declared.

Rental income from investment property leased out under operating lease is recognised in the income statement on a straight-line basis over the term of the lease.

Expenses are accounted for on an accrual basis. Expenses are charged to the income statement except for expenses incurred on the acquisition of an investment property which are included within the cost of that investment. Expenses arising on the disposal of an investment property are deducted from the disposal proceeds.

3.6 Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has a significant influence, but no control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investment) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee,

Unrealised gains on transactions between the Company and its equity accounted investees are eliminated to the extent of the Company's interest in the equity accounted investees. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Company.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to € at the foreign currency exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised directly in equity.

3.7 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved. There was no dividend declared as at 31 December 2006.

3.8 Other receivables

Trade and other receivables are stated at their cost.

3.9 Trade and other payables

Trade and other payables are stated at their cost.

3.10 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

4 Segment Reporting

No disclosure is included in relation to segment reporting, as the Company's activities are limited to one business and geographic segment.

5 Net Financing Income

Net financing income consists of bank interest earned of €262,727 and bank charges of €1,545.

6 Net Asset Value per Share

The net asset value per share as at 31 December 2006 is €0.7945 based on 38,071,000 ordinary shares in issue as at that date.

7 Related Party Transactions

7.1 Directors of the Company

Anderson Whamond is a director of the Manager. Mr Whamond is a shareholder of Charlemagne Capital Limited ("CCL") the parent of the Manager and the Placing Agent.

Save as disclosed above, none of the Directors had any interest during the period in any material contract for the provision of services which was significant to the business of the Company.

CCL, a company incorporated in the Cayman Islands is listed on the Alternative Investment Market of the London Stock Exchange.

7.2 Directors of the Subsidiaries

James Houghton is a director of the Manager. Malcolm Sargeant is an employee of the Manager. In compliance with local regulations, certain subsidiaries have appointed directors who are employees of or are associated with, the relevant registered office service provider.

7.3 Manager fees

Annual fees

The Manager is entitled to an annual management fee of 2 per cent. of the net asset value of the Company, payable quarterly in arrears.

The Manager shall also be entitled to recharge to the Company all and any costs and disbursements reasonably incurred by it in the performance of its duties including costs of travel save to the extent that such costs are staff costs or other internal costs of the Manager. Accordingly, the Company shall be responsible for paying all the fees and expenses of all valuers, surveyors, legal advisers and other external advisers to the Company in connection with any investments made on its behalf. All amounts payable to the Manager by the Company shall be paid together with any value added tax, if applicable. Annual management fees payable during the period ended 31 December 2006 amounted to €184,445.

Performance fees

The Manager is entitled to a performance fee payable at the end of each financial year following the first listing of the Ordinary Shares on AIM or any other stock exchange of an amount equal to 15 per cent. of any excess of the net asset value per Ordinary Share (with any dividends added back) over the Benchmark Net Asset Value per Ordinary Share multiplied by the time weighted average number of shares in issue during that that financial year. For these purposes the Benchmark Net Asset Value shall be equal to the higher of (i) the subscription price per Ordinary Share on the first listing of the Ordinary Shares; (ii) 0.80 Euros increased by 20% per annum compound from the closing of the Placing until a Listing; and (iii) the highest net asset value per Ordinary Share following a Listing and giving rise to the payment of a performance fee.

Payment of the Manager's annual fees and any performance fees shall be paid by a subsidiary of the Company.

Performance fees payable during the period ended 31 December 2006 amounted to € Nil.

8 Charges and Fees

8.1 Custodian fees

The Custodian is entitled to receive fees calculated as 2 basis point per annum of the gross value of the non-real estate assets held on behalf of the Company, subject to a minimum monthly fee of €500, payable quarterly in arrears.

The Custodian expects to review and, subject to written agreement between the Company and the Custodian, may amend the foregoing fees six months after the closure of the initial offering period and annually thereafter. Custodian fees payable for the period ending 31 December 2006 amounted to €1,800.

8.2 Administrator and Registrar fees

The Administrator is entitled to receive a fee of 8 basis points of the net assets of the Company, subject to a minimum monthly fee of €5,000 (such minimum fee to be discounted to €4,000 until such time as the Company is admitted to AIM or another stock exchange), payable quarterly in arrears.

The Administrator shall assist in the preparation of the financial statements of the Company for which it shall receive a fee of €2,500 per set.

The Administrator shall provide general secretarial services to the Company for which it shall receive a minimum annual fee of €7,500. Additional fees based on time and charges, will apply where the number of Board meetings exceeds four p.a. For attendance at meetings not held in the Isle of Man, an attendance fee of €750 per day or part thereof will be charged.

The Administrator may utilise the services of a CREST accredited registrar for the purposes of settling share transactions through CREST. The cost of this service will be borne by the Company. It is anticipated that the cost will be in the region of £6,000 per annum subject to the number of CREST settled transactions undertaken.

The Administrator expects to review and, subject to written agreement between the Company and the Administrator, may amend the foregoing fees six months after closure of the initial offering period and annually thereafter.

Administration fees payable for the period ending 31 December 2006 amounted to €17,400.

8.3 Other operating expenses

The costs associated with maintaining the Company's subsidiaries, to include the costs of incorporation and third party service providers shall be chargeable to each subsidiary and payable by the Company.

8.4 Preliminary (formation) expenses

The estimated total costs and expenses payable by the Company in connection with the Placing (including professional fees, the costs of printing and the other fees payable) was approximated to equal €150,000. The actual total amount of preliminary expenses paid was €119,604 representing 0.39% of the gross amount raised. These preliminary expenses have been charged to equity as share issue costs.

8.5 Audit fees

Audit fees payable for the period ending 31 December 2006 amounted to €7,500.

9 Investment in Equity Accounted Investments

	Group €'000
At beginning of period	-
Acquisition of equity accounted investment	525
Share of loss of equity accounted investment	(49)
Balance at 31 December 2006	476

Investment at 31 December 2006 represents the investment in Asmita Gardens SRL. This comprises €2 of share capital and €524,214 costs of acquisition. The Company's share of the results, assets and liabilities are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Loss	% interest held
Asmita Gardens SRL	Romania	14,108	(14,157)	361	(49)	50%

10 Trade and Other Receivables

Trade and other receivables includes loans to equity accounted investees of €7,887,967 (bearing interest at 6% per annum and due to be repaid after the investee has repaid its debts to Alpha Bank Romania S.A).

11 Cash and Cash Equivalents

	Group 31 December 2006 €'000	Company 31 December 2006 €'000
Bank balances	22,030	20,948
Bank overdrafts	-	-
Cash and cash equivalents	22,030	20,948

12 Capital and Reserves

Share capital

Ordinary Shares of €0.80 each	Number	€'000
In issue at the start of the period	-	-
Issued during the period	38,071,000	30,457
In issue at 31 December 2006	38,071,000	30,457

At incorporation the authorised share capital of the Company was €240 million divided into 300 million Ordinary Shares of €0.80 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's assets.

13 Basic and Diluted Loss per Share

Basic and diluted loss per share are calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	2006
Loss attributable to equity holders of the Company (€'000)	89
Number of ordinary shares in issue (thousands)	38,071
Basic and diluted loss per share (€ per share)	0.0023

14 Trade and Other Payables

	Group 31 December 2006 €'000	Company 31 December 2006 €'000
Accruals	227	34
Total	227	34

15 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 31 December 2006:

GBP	0.6733
RON	3.4114

16 Directors' Remuneration

The Company

The maximum amount of remuneration payable to the Directors permitted under the Articles of Association is €300,000 p.a. Each Director currently is paid a fee of €7,500 p.a. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. Total fees and expenses paid to the Directors for the period ended 31 December 2006 amounted to €15,000.

The Subsidiaries

No fees are paid to the directors of the subsidiaries except in circumstances where a director is appointed in compliance with local regulations and in such cases the fees payable are nominal.

17 Taxation

Isle of Man

The Isle of Man has introduced a general zero per cent. tax rate for companies with effect from 6 April 2006, with the exception of certain banking income and income from Isle of Man land and property which is taxed at 10 per cent. An annual corporate charge is payable. The exemption fee charge for 2006/2007 tax year is £250.

There are no corporation, capital gains or inheritance taxes payable in the Isle of Man.

No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue, transfer, conversion or redemption of Ordinary Shares.

Shareholders resident outside the Isle of Man will not suffer any income tax in the Isle of Man on any income distributions to them.

Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Manx income tax on dividends received from the Company.

United Kingdom

The affairs of the Company are conducted so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains, other than certain income deriving from a UK source.

Other

The subsidiaries of the Company are taxed in accordance with the applicable tax laws in the countries in which they were incorporated.

18 Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations may be subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. The performance of the Company would be adversely affected by a downturn in the property market in terms of higher capitalisation rates/yields or a weakening of rent levels. Any future property market recession could materially adversely affect the value of properties.

Foreign exchange risk

The Company's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than Euros. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is primarily Romanian Lei.

	Net Assets € 000s
Romanian Lei	8,415
Euro	21,833
Total	30,248

Price risk

The Group is exposed to property price and market rental risks via its investment in equity and debt in Asmita Gardens SRL, which is a property development company.

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

The Company maintains sufficient cash balances for working capital.

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in prevailing market interest rates on its cash balances. Cash is invested at short-term market interest rates. The loan to equity accounted investee is at a fixed rate.

Fair values

All assets and liabilities at 31 December 2006 are considered to be stated at fair value except the fixed rate loan. It is not practical to determine the fair value.

19 Commitments as at the Balance Sheet Date

As at the balance sheet date the company had not entered into any additional joint venture agreements.

20 Post Balance Sheet Events

As of the date of this report, and in addition to the development investment as at the year end, the Group has also entered into joint venture investment agreements for two further developments; Galleria Plovdiv, a shopping mall in Bulgaria, which was completed during March 2007 for a net investment of c €10m, and Cascade Business Centre, an office development in Bucharest, which is expected to be completed during the first half of 2007 at a net investment of c. €5m.

PART VIII – VALUATION REPORT

The report set out in this Part VIII has been extracted without material adjustment from the valuation report provided to the Directors of the Company and Panmure Gordon (Broking) Limited by SHM Smith Hodgkinson (Romania) srl.

The Directors
European Convergence Development Company plc
Jubilee Buildings
Victoria Street
Douglas
Isle of Man
IM1 2SH

The Directors
Panmure Gordon (Broking) Limited
Moorgate Hall
155 Moorgate
London EC2M 6XB
Great Britain

17 May 2007

Dear Sirs,

Valuation of ECDC Share in Asmita Gardens, Bucharest 4, Romania

Thank you for your instruction to prepare an evaluation of the share of the Land (as defined in the cadastral documentation and land book excerpt in Annex 3 of the Joint Venture Agreement dated 11 August 2006 between Asmita S.A. and Dandoe Limited (now known as Convergence Development (Cyprus) Limited) and the "Enterprise Value" (as described in section 6 below) owned by European Convergence Development Company plc ("ECDC") in the above development project (refer to Section 3).

For the current valuation, we have collected all relevant available data and completed a valuation in accordance with the agreed scope of work.

This valuation is contingent upon the General Assumptions and Conditions outlined in section 7 of this report.

In our opinion, the estimated Market Value of ECDC's 50% share of the Land and Enterprise Value in Asmita Gardens SRL, as at the effective date of valuation (31 March 2007) was approximately :

€ 26,800,000
(TWENTY SIX MILLION EIGHT HUNDRED THOUSAND EURO)

This value is before deduction of the ECDC Shareholder Loan (being €8 million as described in the Joint Venture Agreement referred to above, article 3.2.1b) and Profit Tax (being 16% of profits generated by a company).

This valuation should be considered as a "best estimate" of the achievable value. We cannot guarantee any estimates presented in this report, although we stress that our valuation has been carefully prepared on the basis of information made available to us and our research. Supporting data upon which this estimate is based is contained in the following report.

We confirm that the valuer and our company have no past, present or prospective interest in the subject property, and that our fee has no relationship to the value submitted.

Yours Sincerely,

SHM Smith Hodgkinson (Romania) srl

EXECUTIVE SUMMARY

Name of client		European Convergence Development Company PLC
Report reference code no.		C 0704330
Property name (if applicable)		Asmita Gardens
Address of subject property		168-170 Splaiul Unirii Bucharest 4, Romania
Cadastre record or legal number		n/a
Registered owner		Asmita Gardens SRL
Valuation date		31 st March 2007
Property rights appraised		Land & Building - Fee Simple Estate
Purpose of valuation		Financial Analysis
Zoning		Intravillan
Existing use		-
Highest & best use		Residential & ancillary retail and leisure facilities
Site area	(sqm)	26,923 sqm
Total improvements built area	(sqm)	120,000 sqm
Estimate of Value of ECDC share	(EUR)	26,800,000
Project Summary		<ol style="list-style-type: none"> 1. Asmita Gardens comprises a development of 802 apartment units (including 14 penthouses) in 7 towers of up to 26-storeys, plus basement car parking. 2. It is situated in the central-south of Bucharest, on the west bank of the Dambovita River, within 2kms of the city centre. 3. The development will be built in two phases. Phase I will be three towers and Phase II four towers. 4. The plan is to provide mid-quality specification apartments with sales prices in the region of Euro 1,100-1,500/sqm built area. 5. The project will include retail and leisure facilities on the ground floors of each tower. 6. The total estimated revenues from sale of the apartments and retail units is Euro 160,190,000. 7. The total estimated development costs are Euro 106,600,000, including construction, fees, sales costs, and financing, but excluding land and acquisition taxes. 8. The estimated total value of the Land and 'Enterprise' (Revenues-Costs) is Euro 53,590,000. 9. ECDC share equity is 50% and therefore the value of the ECDC share of the Land and 'Enterprise' Value is Euro 26,800,000.

Report on Asmita Gardens Residential Development, Bucharest 4, Romania

1. Location

- The subject property is located in Bucharest, the capital of Romania, which is in the south-east of the country, 70km north from the border with Bulgaria. Bucharest has a population of approximately 2,300,000.
- The subject property is located in the central south of the city on Splaiul Unirii, on the west bank of the Dambovita River, approximately 2 km south of Piata Unirii. It is situated in a prominent corner position at the junction of Splaiul Unirii and Calea Vacaresti/Sos. Mihai Bravu.
- The neighbourhood, known as Vacaresti, is a busy mixed mid-suburban mainly residential area. Calea Vacaresti/Sos. Mihai Bravu forms an inner ring road around the eastern part of the city. Splaiul Unirii is a one-way radial route following the course of the Dambovita River, which leads south-east to the main ring road around Bucharest at around 12 kms from the city centre.
- The area is dominated by the extensive uncompleted Ceausescu-era harbour project which lies behind the subject property. The future use of this land is undecided.
- The wider neighbourhood is attracting several developments. Approximately 1km to the south, at Piata Sudului, a hypermarket anchored shopping centre is planned. To the south-east on Sos. Vitan-Barzesti a Praktiker DIY store and a hotel are under construction.
- The location is well connected by roads to access both the city centre and the ring road. Public transport is provided by the metro lines M3 at Mihai Bravu (700m) and M2 at Piata Sudului (1 km). Tram lines run along Sos. Mihai Bravu, and buses connect the location to the north (Vitan), the south (Piata Sudului), and the west (Tineretului).

2. Property Description

- The subject property comprises a site of 26,923 sqm on which it is intended to construct seven high-rise apartment towers accommodating a total of 802 units (788 apartments and 14 penthouses), ancillary retail and leisure facilities, with associated underground and surface car parking.
- The development will provide the following accommodation :

Use	Built Area (Sqm)
Residential	114,470
Retail (Lettable area)	5,598
TOTAL :	120,068

- The development will be constructed in two phases :

Phase I – Towers 5, 6 & 7

Phase II – Towers 1, 2, 3 & 4.

Phase I

Tower Nr.	Storeys	Nr. Apartments	Nr. Penthouses	Residential Built Area (Sqm)	Retail Lettable Area (Sqm)
5	18	128	2	14,700	338
6	18	120	2	18,238	338
7	26	80	2	14,704	550
Ph I Total :		328	6	47,642	1,226

Phase II

Tower Nr.	Storeys	Nr. Apartments	Nr. Penthouses	Residential Built Area (Sqm)	Retail Lettable Area (Sqm)
1	18	92	2	14,965	1,568
2	18	80	2	14,965	2,130
3	22	192	2	21,935	336
4	18	96	2	14,965	338
Ph II Total :		460	8	66,830	4,372
Project Totals :		788	14	114,472	5,598

- Asmita Gardens will provide a landmark development in central southern Bucharest. The project will present seven tall towers with glazed external façades, which will afford extensive views across the city from the upper floors. The development will be amongst the tallest buildings in Bucharest. The target market is the mid-range quality apartment market, which is currently the strongest sector, and within which there are numerous developments across the city. However, the design and location of Asmita Gardens marks it apart from most others. The immediate neighbourhood is relatively open and the Dambovitza River is adjacent. Each apartment will have a balcony or terrace of at least 10 sqm, many with 25-40 sqm.

3. Tenure/Ownership

- Freehold title to the land and buildings is held by Asmita Gardens SRL.
- It is understood that ECDC has a 50% ownership share in Asmita Gardens SRL.

4. Income Forecast

4.1 Apartment Sales

- In Phase I which comprises three towers, only Towers 5 & 7 are currently being marketed for sale.
- Phase I has been marketed since May 2006, and as at 31st January 2007, a total of 121 apartment units had been pre-sold. This is out of a total of 208 in Towers 5 & 7, i.e. 58% of those available for sale, or 37% of all Phase I.
- The average price achieved on the apartments sold to 31.01.07 is in the region of Euro 820/sqm built area, excluding car parking and VAT. This reflects the discounted price levels of the initial sales.
- The average price for the remaining apartments in Phase I (207 units) is forecast by the exclusive selling agents, Colliers International SRL, at Euro 1,135/sqm according to our analysis.
- The average price for the apartments in Phase II (460) is forecast at Euro 1,350/sqm.
- The prices are projected to be increased twice a year by 5%-8% each time, in line with the anticipated market trend.
- For the Penthouse units, the forecast prices equate to Euro 900/sqm for the 6 units in Phase I, and Euro 1,000/sqm for the 8 units in Phase II. This analysis of price assumes that the large terraces of 100 sqm each are valued at 25% of the value of the built area of the apartment.
- By comparison with other similar mid-range apartment developments in Bucharest, we consider these forecast prices fair and reasonable.
- The total income from apartment sales plus the estimated sale value of the retail units is therefore :

Phase I	Euro 53,340,000
Phase II	Euro 93,450,000
Total	Euro 146,790,000

4.2 Retail Units

- The development will include a total of 5,600 sqm retail units across the seven towers. Around 60% of this is on the ground floor with the remainder on mezzanine Level 1.
- The majority (66%) of this retail area is in Towers 1 & 2. Around 1,570 sqm is on the ground floor and 2,130 sqm on Level 1.
- The remainder of the retail is in smaller units of around 330 sqm in the other towers (550 sqm in Tower 7).
- For the larger ground floor retail areas in Towers 1 & 2, we consider Euro 15/sqm/mth a market rent.
- For the larger Level 1 retail area, we have applied a discount to Euro 12/sqm/mth.
- For the smaller units, Euro 25/sqm/mth with an average of Euro 22/sqm/mth in Tower 7 where 144 sqm of the total of 550 sqm is situated on the basement level.

- A 10% loss factor has been applied to the estimated gross rental income for potential Landlord's non-recoverable costs.
- Adopting an investment capitalisation yield of 8.5% on this income indicates a Market Value of this income stream of Euro 13.4 million.

The total estimated income (capital value) from the development is therefore :

Apartments	Euro 146,790,000
Retail	Euro 13,400,000
Total :	Euro 160,190,000

5. Development Costs

The development costs, as detailed below, have been provided to SHM Smith Hodgkinson by Asmita Gardens SRL or their advisors, and we have assumed them to be a complete, fair and accurate statement of the development costs. These have been adopted in this analysis, and if there are subsequent amendments to these costs, the analysis may require to be adjusted accordingly.

A construction contract has been concluded with Strabag SRL which commits to the following construction costs :

Phase I :	Euro 38,200,000
Phase II :	Euro 50,070,000
Total :	Euro 88,270,000

In addition, allowance has been made for the following development costs :

Contingency :	4% total construction costs
Utilities :	€ 1,525,000
Construction/Permit Fees (incl. contingency)	€ 1,902,000
Site & Management Office costs :	€ 600,000
Professional fees (Architect, PM, Technical Studies, Legal costs) :	€ 4,746,000 (5.4% total construction cost)
Sales Costs (Agent, Marketing, Showroom & Legal):	€ 4,325,000 (2.7% total sales value)
Finance Costs (Interest, Fees & Consultants) :	€ 1,711,000

The total development cost is estimated at Euro 106,600,000.

For the purposes of this Valuation, it is assumed that none of the development costs have been incurred as at the Valuation date.

6. Valuation

- The Project has been valued on the Development Residual Approach (as illustrated in the Valuation Table below).
- There is an undersupply of new residential developments in Bucharest, compared to the high level of demand, which is driven principally by rapidly rising incomes, reduced costs of mortgage finance, and a desire to move away from the large poor quality apartment blocks built during the pre-1989 communist era or even in the 1990's.
- It is estimated that there are between 15-18,000 new apartment units planned or under construction in the urban area of Bucharest, excluding the villa developments on the periphery of the city. However, in the context of a population of 2.3 million, this is considered inadequate to meet the potential demand.
- The new apartment market in Bucharest is currently characterized by strong levels of pre-sales either off-plan or during construction. The imbalance of supply & demand has resulted in strongly rising price levels, during the construction phase of developments.
- The greatest demand and supply is in the mid-quality sector, where prices generally range from 800-1,400/sqm, depending on the location and the concept of the development.
- In our opinion, Asmita Gardens offers a mid-quality range of apartments in an attractive semi-central location and an above-average concept with a distinctive architectural design, that will provide it with the advantage of a strong brand image within its sector.

- We consider that an average sales prices of around Euro 1,135/sqm for the remainder of Phase I and Euro 1,350/sqm for Phase II, are fair and reasonable for this development.
- Based upon these income estimates and the estimated development costs, we estimate that the Market Value of the land and the project at Asmita Gardens (the Enterprise Value), is approximately Euro 53,600,000.
- The share of this project held by ECDC is 50%, and therefore the Market Value of this share is estimated at Euro 26,800,000.
- The following valuation table details the Development Residual Approach used to estimate the Value of Asmita Gardens and the 50% share held by ECDC as at the valuation date:-

Asmita Gardens, Bucharest

Assessment of ECDC share of value of land and enterprise

General Assumptions

Project :	Sqm
Total land area	27,923
Built Area Apartments	114,470
Retail	6,158
Total :	120,628
ECDC Equity Share :	50%

<i>Capital Value</i>				(€)	(€)
Phase	Function	Built Area (Sqm)	Total Built Area (Sqm)	Sale Value (€) Excl. VAT	Phase Total Sale Value (€)
Phase I	Apartments & Parking			53,340,000	
	Retail			4,100,000	57,440,000
Phase II	Apartments & Parking			93,450,000	
	Retail			9,300,000	102,750,000
Total Capital Value (or Gross Development Value)					160,190,000
GROSS DEVELOPMENT VALUE (GDV) Rounded					160,190,000
Average sales price (Euro/sqm of built area)					1,328
Minus Construction Costs					
Phase I				38,200,000	
Phase II				50,070,000	
Total Construction Cost					88,270,000
Construction Cost per Sqm Built Area					732
Other Development Costs:					
1. Contingencies @ say					
4% of total construction cost				3,530,800	3%
Total Construction & Contingencies					91,800,800
2. Utilities					
				1,525,000	
3. Construction Fees (incl. contingency)					
				1,902,000	
4. Site & Office Management Costs					
				600,000	
Sub-total (2, 3, 4):				4,027,000	3.8%
Total Construction, Contingency, Utilities, Constr. Fees & Site Costs :					95,827,800
5. Professional fees:					
Architect, PM, Studies, Legal, contingency, etc. @ say				5.4% of total construction cost	4,746,000
Total Construction, Contingencies & Professional Fees					100,573,800

6. Sales Costs				(€)	(€)	
i) Sales Agent	@	1.6%	of Sale Price	2,600,000		
ii) Legal Costs	@			100,000		
iii) Marketing (incl. showroom)	@ say			1,625,000		
Sub-total Sales Costs				4,325,000		4.1%
Total Construction, Contingency, Fees & Sale Costs					104,898,800	
7. Finance (short term)	@					
Interest, Fees, Consultants				1,711,000		
Total Finance Costs				1,711,000		1.6%
Total Development Cost					106,609,800	
Total Development Cost (Rounded)					106,600,000	100%
Total Development Cost per Sqm built area					884	
Residual Value for Land and 'Enterprise'					53,590,000	
Rounded to :					53,600,000	
ECDC Share of Value of Land and 'Enterprise'		50%			26,800,000	

7. General Assumptions & Conditions

7.1 Scope of valuation

Except as otherwise stated, this report relates to the subject property as a whole regardless of the distribution of the ownership shares between several owners, should this be the case.

The present valuation is restricted to the buildings only and does not take into consideration any existing equipment or other assets.

7.2 Sources of information

All information relating to the subject property, current status of the land, all details regarding legal issues have been provided by the client, their advisers and/or consultants.

Additional data has been collected from a number of sources that have been considered reliable. Where verification has not been possible it is assumed that the information obtained is correct.

7.3 Legal property title

We have made no investigations into the title of the subject property which we assume to be legal and clear.

We are not lawyers and cannot comment on any legal aspects of such documents. Nothing in this report is intended to be interpreted as a legal opinion as to the state of the title.

7.4 Encumbrances, legal judgments, other

This report is prepared on the basis that the subject property is free and clear of all liens or encumbrances, that no restitution claims have been initiated or are outstanding, and on the assumption that that the ownership documents are free of any legal issues.

We recommend, however, that the ownership documents should be checked by a legal consultant and we reserve the right to change the report accordingly, should the title be affected by legal issues.

7.5 Zoning & regulatory requirements

No investigation has been undertaken with the local zoning authorities, the health department or government regulatory agency unless such investigations are expressly mentioned in this report. The subject property must comply with such government regulations and, if it does not comply, its non-compliance may affect the value estimate.

The value estimate set out in this report is predicated on the assumption that the subject property complies with or meets all zoning regulations and codes in force, and there are no disputes with any municipal authorities, neighbouring owners or other occupiers.

7.6 Measurements

The subject property has not been measured by the valuer. All dimensions and measurement data are assumed to be in accordance with the information provided to us.

7.7 Structural condition

We have not been provided with any structural survey of the constructions, but assumed they are not affected by any structural damages caused by any known earthquake or by any other causes.

We have not carried out a survey of metal/woodwork or other parts of the properties, which are covered, unexposed or inaccessible and such parts have been assumed to be in good condition.

This report will not purport to express an opinion about or advise upon the condition of un-inspected parts and should not be taken as making implied representation about such parts.

Moreover, we reserve the right to amend our valuation should further investigation or survey reveal defects that may affect the value.

7.8 Geodesic analysis

No load bearing surveys have been performed by the valuer; nor is the valuer qualified to perform such analysis.

We reserve the right to amend our estimates should further investigation by a qualified geodesic engineer expert reveal defects that may affect the value.

7.9 Environmental issues

The valuer is not qualified to perform or comment in any manner on environmental issues of any kind.

It has been assumed that the subject site(s) does not suffer from any soil stabilization or contamination problems and that the improvements do not contain any hazardous materials such as asbestos.

7.10 Conflicts of interest

This report was prepared by the valuer, who has knowledge of the particular market for this property, the skills and understanding necessary to undertake the work competently. The valuer acts as an independent valuer and has no conflict of interest in the preparation of this valuation.

7.11 Confidentiality

This report is provided for the purposes as stated above and for the sole use of the above named client. It is confidential to that client and his professional advisers.

We accept responsibility to the client that the report has been prepared with the skill, care and diligence reasonably expected of a competent chartered surveyor, but accept no responsibility whatsoever to any person other than the client.

Neither the whole nor any part of this report or any reference to it may be included in any published document, circular or statement not published in any way without our written approval of the form and context in which it may appear.

7.12 Value added tax

This valuation is made on the basis that the property is zero rated for VAT.

7.13 Systematic (macro-economic) risks

Our report does not provide any allowance for the effects of possible dislocation or reorganization consequent upon changes in political, social or economic policies in Romania and South-eastern Europe. We have assumed the continuation of the economic reforms and the free transfer of capital.

7.14 *Other special assumptions*

None.

8. Definitions

8.1 *Market Value (MV)*

MV is defined in the Appraisal and Valuation Manual (Red Book) published by the Royal Institute of Chartered Surveyors (5th Edition May 2003) as follows:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably and without compulsion”

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

The following supplementary assumptions are understood to be part of the definition of MV:

Payment is made in terms of cash in EUR or in terms of financial arrangements comparable thereto;

The price represents the normal consideration for the property sold unaffected by special or creative financing, free rental or concession granted by anyone associated with the transaction.

8.2 *Valuation date*

The date at which the valuation, appraisal or calculation of worth is stated to be expressed.

8.3 *Fee Simple Estate*

Represents the absolute ownership unencumbered by any other interest or estate, subject only to the limitation of eminent domain, escheat, police power and taxation.

8.4 *Market rent*

The rental income that a property would most probably command on the open market as indicated by current rentals being paid for comparable space (as of the effective date of the appraisal).

PART IX – TAXATION

The following information, which relates only to UK and Isle of Man taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK or the Isle of Man and who hold Ordinary Shares as investments. It is based on the law and practice currently in force in the UK and the Isle of Man. The information is not exhaustive and, if potential investors are in any doubt as to the taxation position, they should consult their professional advisers without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and it may alter the benefits of investment in the Company.

UK Taxation

The Company

It is the intention of the directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains, other than certain income deriving from a UK source.

UK Shareholders

- (a) Shareholders who are resident in the UK or carrying on a trade in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on the gross amount of dividends paid by the Company whether directly or by way of reinvestment of income.
- (b) The Company is not at the date of this document an offshore fund for UK taxation purposes. Accordingly Sections 756A to 763 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") do not apply. Consequently, gains realised on disposal of Ordinary Shares in the Company should not be subject to tax as income under that legislation.
- (c) Depending on their circumstances, Shareholders who are resident, or in the case of individuals, ordinarily resident in the UK for taxation purposes may be subject to capital gains tax (or, in the case of a corporate Shareholder, corporation tax on capital gains) in respect of any gain arising on a disposal, including on redemption, of their Ordinary Shares unless the Shareholder is taxed as a dealer in securities, in which case the Directors have been advised that any gain will be treated as income and taxed as such. For Shareholders who are individuals, taper relief, and for Shareholders within the charge to UK corporation tax, indexation allowance, may reduce a chargeable gain but will not create or increase an allowable loss.
- (d) It is not expected that the Company would be regarded as a close company if it were resident in the UK. Therefore Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than a 10 per cent. interest in the Company should not apply.
- (e) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions of the controlled foreign companies legislation contained in Sections 747-756 of the Taxes Act.
- (f) The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax in respect of undistributed profits of the Company.
- (g) The attention of UK resident and domiciled investors is drawn to Chapter 1 of Part 13 of the Income Tax Act 2007 (in the case of individuals) and Section 703 of the Taxes Act (in the case of corporate investors) under which HM Revenue and Customs may seek to cancel tax advantages from certain transactions in securities.
- (h) The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT") position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK Stamp Duty or SDRT will be payable on the issue of Ordinary Shares. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5 of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK. Any agreement to transfer Ordinary Shares, including any transfer effected through CREST, should not be subject to UK SDRT, provided that Ordinary Shares are not registered in any register of the Company kept in the UK.

Non-UK Shareholders

Shareholders who are neither resident nor ordinarily resident in the UK, nor temporarily non-resident, and who do carry on a trade, profession or vocation through a branch or agent in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

Individual Savings Accounts ("ISA") and Personal Equity Plans ("PEP")

Ordinary Shares will not be eligible to be held in the stocks and shares component of an ISA or a PEP.

Self-Invested Personal Pension Schemes ("SIPPs") and Small Self-Administered Schemes ("SSASs")

Subject to restrictions on the purchase of shares by a sponsoring employer, Ordinary Shares are eligible to be held in a SIPP or SSAS. Inclusion of Ordinary Shares in a SIPP or SSAS is subject to their being considered suitable investments by the scheme administrator and may be subject to limits on the percentage shareholding acquired.

Isle of Man Taxation

The Isle of Man has introduced a general 0 per cent. tax rate for companies with effect from 6 April 2006, with the exception of certain banking income and income from Isle of Man land and property which is taxed at 10 per cent.

The Isle of Man has also introduced, with effect from 6 April 2006, a Distributable Profits Charge regime. The effect of this regime, where it applies, is to impose a charge (at 18 per cent.) based on that proportion of a company's profits that are attributable to Isle of Man resident shareholders.

Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Manx income tax on dividends received from the Company.

Shareholders resident outside the Isle of Man will have no liability to Manx income tax on dividends received from the Company.

There is no capital gains tax, inheritance tax, stamp duty or SDRT in the Isle of Man. A probate fee may be payable in respect of the estate of a deceased Shareholder, up to a current maximum of £576.

The foregoing summary does not address tax considerations which may be applicable to certain Shareholders under the laws of jurisdictions other than the UK and the Isle of Man (including Austria, Germany and Switzerland). The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares (including those in Austria, Germany and Switzerland) to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

PART X - ADDITIONAL INFORMATION

1 COMPANY AND DIRECTORS' RESPONSIBILITY

The Company and the Directors, whose names are set out on page 8 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 THE COMPANY

2.1 The Company was incorporated with limited liability in the Isle of Man under the Law with registered number 117309C on 26 July 2006.

2.2 The Company's registered office and its principal place of business are in the Isle of Man and are located at Jubilee Buildings, Victoria Street, Douglas, Isle of Man IM1 2SH. Its telephone number is 01624 698 000.

2.3 Immediately following Admission, the Company will have the following subsidiaries:

<i>Name of Subsidiary</i>	<i>Country of Incorporation</i>	<i>Ownership Interest</i>
European Convergence Development (Cayman) Limited	Cayman Islands	100%
Convergence Development (Cyprus) Limited	Cyprus	100%
European Convergence Development (Malta) Limited	Malta	100%*
European Real Estate Development Invest S.R.L.	Romania	100%*
Convergence Development Invest S.R.L.	Romania	100%*

*Owing to local law requirements, one share in each of these companies is held either by an employee of the Manager or by a local service provider as a nominee for the Company.

2.4 Save for its entry into the material contracts summarised in paragraph 7 of this Part X and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred borrowings.

3 SHARE CAPITAL

3.1 At incorporation the authorised share capital of the Company was €240 million divided into 300 million Ordinary Shares of €0.80 each of which two were issued as subscriber shares to the two subscribers to the Memorandum and Articles. Neither the Law nor the Articles impose pre-emption rights on the issue of new shares. Accordingly, at incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power was not limited in duration. Pursuant to a placing memorandum dated 2 August 2006, the Company issued 38,071,000 Ordinary Shares (including the subscriber shares) to Shareholders at €0.80 per share.

3.2 The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares</i>	<i>€ Nominal</i>	<i>No. of Shares</i>	<i>€ Nominal</i>
Ordinary Shares	300,000,000	240,000,000	101,228,894	80,983,115.20

3.3 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held.

3.4 The Ordinary Shares carry the right to vote at general meetings, dividends, and the surplus assets of the Company on a winding-up.

- 3.5 Save pursuant to the Initial Placing, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.7 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.

4 DIRECTORS' AND OTHER INTERESTS

- 4.1 The Directors were appointed pursuant to appointment letters dated 27 July 2006. The maximum amount of remuneration payable to the Directors permitted under the Articles is €300,000 per annum.
- 4.2 The fees payable to each of the Directors are currently €11,250 per annum and from Admission will be €22,500 per annum.
- 4.3 There are no existing or proposed service contracts between any of the Directors and the Company. There are no contracts entered into by the Company in which the Directors have a material interest save as described in this paragraph. Anderson Whamond is a director and shareholder of Charlemagne Capital Limited and a director of Charlemagne Capital (IOM) Limited. The Company has entered into the Management Agreement with Charlemagne Capital (IOM) Limited which is a subsidiary of Charlemagne Capital Limited.
- 4.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 4.5 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- 4.6 No Director (nor any member of a Director's family) has had a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares.
- 4.7 No Director has agreed to subscribe for any Ordinary Shares under the Placing. No Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by each Director) an interest in the share capital of the Company or with any options in respect of such capital.
- 4.8 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company.
- 4.9 Save as disclosed below, the Company is not aware of any person holding directly or indirectly more than 3 per cent. of the Company's issued share capital or any person who will hold, directly or indirectly, more than 3 per cent. of the Company's issued share capital after Admission. No Shareholder has different voting rights attached to his Ordinary Shares.

Name	Ordinary Shares Number	%
BV Bewaarbedrijf Schretlen & Co	9,612,500	9.5
HSBC Private Bank (Suisse) SA	8,486,771	8.38
Banque Privee Edmond de Rothschild Europe	3,528,947	3.49
RBC Dexia IS Espana	15,789,473	15.6
Charlemagne CIS Fund Limited	4,684,456	4.63

- 4.10 Directors and officers liability insurance is maintained for the benefit of the Directors.

- 4.11 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.
- 4.12 None of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. None of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.
- 4.13 None of the Directors has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.14 There is no Directors shareholding qualification under the Articles or otherwise.
- 4.15 The directorships held by each of the Directors over the five years preceding the date of this document and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

Erwin Brunner

Current Directorships/Partnerships

Asian Opportunities Fund 1998 - I
 BrunnerInvest AG
 European Convergence Property Company plc
 OCCO Asia Fund
 OCCO Eastern European Fund
 OCCO Global Emerging Markets Fund
 Ramco Systems Limited
 Star MM Funds Plc

Past Directorships/Partnerships

Arvest Funds AG
 Asian Opportunities Fund 1998 - II
 International Fund Arbitrage
 Undervalued Assets Fund - Series One

James Rosapepe

Current Directorships/Partnerships

European Convergence Property Company plc
 Naya Bharat Property Company plc
 Patuxent Capital Group LLC
 Patuxent Consulting Group Inc
 The Balkan Fund

Past Directorships/Partnerships

Société Generalé Romania Fund Limited

Anderson Whamond

Current Directorships/Partnerships

Appleyard Investments Limited
 Asian Opportunities Fund 1998 - I
 Balkan Holdings (Cyprus) Limited
 Burnbrae Limited
 Charlemagne Capital (Advisory) Limited
 Charlemagne Capital (Barbados) Limited
 Charlemagne Capital (Investments) Limited
 Charlemagne Capital (IOM) Limited
 Charlemagne Capital (Services) Limited
 Charlemagne Capital Limited
 Charlemagne CIS Fund (Labuan) Limited
 Charlemagne CIS Fund Limited
 Charlemagne Emerging Markets Fund plc
 Charlemagne Finance (Cyprus) Limited

Past Directorships/Partnerships

Asian Debt Fund
 Bald Eagle Asia Equities Fund
 Bald Eagle Asian Equities (non US Feeder) Fund
 Charlemagne Capital (Cayman) Limited
 Charlemagne Capital (Investments) Limited
 Charlemagne Capital (Property) Limited
 Clefex.com (IOM) Limited
 EEPF (Cyprus) Limited
 Interman Services Limited
 Interman UK Limited
 International Fund Arbitrage
 Ireton Enterprises Limited
 Ironwood Enterprises LLC
 JEM Limited

Cherrywood Consulting
 European Convergence Property Company plc
 Holmeglen Limited
 Interman Limited
 Magna Umbrella Fund PLC
 Naya Bharat Property Company plc
 Novy Neft Limited
 OCCO Asia Fund
 OCCO Eastern European Fund
 OCCO Global Emerging Markets Fund
 OCCO Latin America Fund plc
 Port Antonio Developments (St. Lucia) Limited
 Port Antonio (St. Lucia) Limited
 Port Antonio Limited
 Regent Pacific Fund
 Regent Pacific Group Limited
 Rothesay Limited
 Sleepwell Hotels (UK) Limited
 Sleepwell Hotels Limited

SWR Investments Limited
 TBF (Cyprus) Limited
 Turtle Crawl Hill Limited
 The Balkan Fund
 UAR Investments Limited
 WTIC Limited

Lattice Limited
 Navrona Investments Limited
 Novy Neft II Limited
 OCCO Latin America Fund
 Regent European Securities (Cayman) Limited
 Regent Fund Management Limited
 Regent Magna Europa (Cyprus) Limited
 Regent Pacific Energy Limited
 Regent Pacific Private Equity Limited
 Regent Russian Bond Fund
 Sidebottom Holdings Limited
 South Asia Fund
 Southwise Trading Limited
 Spanish Off-Plan Properties plc
 Ukraine Investment Fund
 Undervalued Assets Fund – Series One
 Undervalued Assets Property Fund – Series Two
 Undervalued Assets Thailand Fund
 Undervalued Opportunities Company Limited
 Undervalued Opportunities (Master) Company Limited
 Walker Telecommunications Limited

Donald McCrickard

Current Directorships/Partnerships

Conister Trust Plc
 Equity Partnership Investment Company plc
 European Convergence Property Company plc
 GruppeM Investments Plc
 Hampshire Trust Plc
 RITC Syndicate Management Limited

Past Directorships/Partnerships

Allied London Properties plc
 Brit Insurance Holdings PLC
 Crimestoppers Trust Limited
 Demica plc
 Digitalbrain plc
 Hemisphere Properties plc
 London Town plc
 National Counties Building Society
 Verdandi Limited

5 MEMORANDUM AND ARTICLES OF ASSOCIATION

The Companies Act 1986 (the "1986 Act") of the Isle of Man removed the need for the objects of a company incorporated in the Isle of Man after 1 June 1988 to be set out in the Memorandum of Association of the company, by providing that the company has, subject to the 1986 Act, the capacity and the rights, powers and privileges of an individual. As the Company is a company which was incorporated in the Isle of Man after 1 June 1988, the objects of the company are not set out in its Memorandum but, pursuant to the 1986 Act, the Company has the capacity and, subject to the 1986 Act, the rights, powers and privileges of an individual.

The Memorandum does not set out any restrictions on the exercise of the rights, powers and privileges of the Company.

The Articles contain provisions, *inter alia*, to the following effect:

5.1 Voting

Subject to the Articles, members have the right to receive notice of, and to vote at, general meetings of the Company. Each member who is present in person or (being a corporation) is present by a duly authorised

representative at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person or by proxy or corporate representative has one vote in respect of each share held.

5.2 Shares

- (a) Subject to the provisions of the Law, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present not less than one person who is present shall be a quorum). The special rights conferred upon the shares or any shares or class of shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.
- (b) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, who may allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions as they determine, provided that no shares shall be issued at a discount.
- (c) The Company may also pay such brokerages and/or commissions as may be lawful.
- (d) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

5.3 Power to require disclosure

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors shall determine.

If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may at any time thereafter serve a disenfranchisement notice on the member. The disenfranchisement notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the disenfranchisement notice shall additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

5.4 Transfer of and transmission of shares

Any member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in any form which the Board may approve or in the case of uncertificated shares without a written instrument in accordance with the CREST Regulations. Any instrument of transfer of a share shall be signed by or on behalf of the transferor.

The Board may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer of any certificated share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine (subject to the CREST Regulations in the case of any uncertificated shares) provided that such suspension shall not be for more than 30 days in any year.

The Directors shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of an uncertificated share in accordance with the CREST Regulations, except that the Directors may refuse to register any such transfer or renunciation which is in favour of more than 4 persons jointly or in any other circumstance permitted by the CREST Regulations.

5.5 Alteration of capital

The Company may from time to time, subject to the provisions of the Law and to any rights for the time being attached to any shares, purchase its own shares (including any redeemable shares) in any manner authorised by the Law.

The Company may by ordinary resolution consolidate and/or divide, re-designate or convert all or any of its share capital into shares of larger or smaller nominal amount or into different classes of shares than its existing shares; subject to the Law, subdivide all or any of its shares into shares of a smaller amount than is fixed by the Company's Memorandum of Association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert all or any fully paid up shares into stock and reconvert that stock into paid up shares of any denomination; and increase its share capital by such sum to be divided into shares of such sum as the resolution prescribes.

Subject to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner permitted by and with and subject to any consent required by the Law.

5.6 Powers and duties of the Board

- (a) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (b) Subject to the Law, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) a contract, arrangement, transaction or proposal concerning the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
 - (iv) a contract, arrangement, transaction or proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor, shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third party company through which his interest is derived) or of the voting rights of such company;

- (v) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (vi) a contract, arrangement, transaction or proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.
- (c) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
 - (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

5.7 Remuneration of Directors

- (a) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services such sum as the Board may from time to time determine provided that the aggregate amount of such fees shall not exceed €300,000 per annum (or such greater sum as may be determined from time to time by ordinary resolution of the Company). The Directors shall also be entitled to be paid all reasonable out of pocket expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to be holder of any executive office including the office of managing director on such terms and for such periods as they may determine.

5.8 Retirement of Directors

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.

5.9 Dividends and distribution of assets on a winding up

- (a) Subject to the Articles and to the rights of persons entitled to shares with special rights as to dividends, the Company may by ordinary resolution declare a dividend but no dividend shall exceed the amount recommended by the Board.
- (b) No dividend shall be paid other than from the profits resulting from the Company's business.
- (c) The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company.
- (d) No dividend or other amount payable to any Shareholder shall bear interest against the Company.
- (e) All dividends and other amounts payable as aforesaid payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 5 years after having become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

- (f) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits as they think proper.
- (g) If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively.
- (h) If the Company should be wound up the liquidator may, with the authority of a special resolution, divide amongst the members in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

5.10 Borrowing

Subject to the Articles and the Law, the Directors may exercise all and any powers of the Company to borrow money.

5.11 Register of Shareholders

The Company shall keep the register at its registered office, in accordance with the Law.

5.12 Duration

At the annual general meeting of the Company to be held in 2016, the Directors are obligated to propose an ordinary resolution that the Company ceases to continue in existence. If the resolution is not passed then an equivalent resolution shall be proposed at every fifth annual general meeting thereafter. If the resolution is passed then the Directors shall, within 3 months after the date of the resolution, put forward proposals to shareholders to the effect that the Company be wound up, liquidated, reorganised or unitised.

6 OVERSEAS INVESTORS

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the UK, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the UK wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

The Company is not registered with the US Securities Exchange Commission under the US Investment Companies Act of 1940, as amended (the "1940 Act"). In addition, the Ordinary Shares are not registered under the US Securities Act of 1933, as amended (the "1933 Act"). Therefore, the Ordinary Shares may not be publicly offered or sold in the US or directly or indirectly to or for the benefit of a "US Person" as defined herein. A "US Person" as used herein means a "US Person" as defined under Regulation S of the 1933 Act, as well as the following (1) a citizen or resident of the US; (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside the US and not effectively connected with the conduct of a trade or business within the US; or (4) any estate or trust which has a US

person as its executor, administrator, or trustee. Ordinary Shares will be offered or sold within the United States only to Qualified Purchasers, as defined under the 1940 Act.

7 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- 7.1 A Management Agreement dated 2 August 2006 between the Company and Manager pursuant to which the Manager has agreed to provide management services to the Company in relation to the portfolio of assets held by it from time to time. In consideration for its services thereunder, the Manager is entitled to be paid a fee quarterly in arrears at the rate of 2 per cent. per annum of the net asset value of the Company. The assets will be valued as at the last Business Day of each quarter. In addition the Manager shall be entitled to a performance fee. Further details of the performance fee are set out on page 29 of this document.

The Management Agreement is terminable on 18 months' notice expiring on or at any time after the fifth anniversary of its coming into force. The Management Agreement may be terminated summarily or on shorter notice in certain other circumstances including for material breach of contract. The Management Agreement contains an indemnity in favour of the Manager from the Company for losses it may suffer in connection with its performance of services under the Management Agreement.

- 7.2 An Administration Agreement dated 2 August 2006 between the Company and Anglo Irish Fund Services Limited whereby the Administrator is appointed to act as administrator and registrar of the Company and to provide a company secretary. The Administrator shall be entitled to receive a fee of 8 basis points of the net assets of the Company, subject to a minimum monthly fee of €5,000, payable quarterly in arrears. The Administrator shall also be entitled to reimbursement of out-of-pocket expenses properly incurred by the Administrator in carrying out its duties. The Administration Agreement contains an indemnity in favour of the Administrator against claims against it except to the extent that the claim is due to the negligence, wilful default or fraud of the Administrator. The Administration Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, including *inter alia*, if one of the parties goes into liquidation.

- 7.3 A Custodian Agreement dated 2 August 2006 between the Company, the Manager and Anglo Irish Bank Corporation (I.O.M.) P.L.C. whereby the Custodian is appointed to provide a safekeeping service to the Company. The Custodian shall be entitled to receive fees calculated as 2 basis points per annum of the gross value of non-real estate assets held on behalf of the Company, subject to a minimum monthly fee of €500, payable quarterly in arrears. The Custodian shall also be entitled to reimbursement of out-of-pocket expenses properly incurred by the Custodian in carrying out its duties. The Custodian Agreement contains an indemnity in favour of the Custodian against claims against it except to the extent that the claim is due to the negligence, wilful default or fraud of the Custodian. The Custodian Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances including, *inter alia*, if one of the parties goes into liquidation.

- 7.4 A Placing Agreement dated 15 June 2007 between the Company, the Manager and the Placing Agent pursuant to which the Placing Agent has agreed use its reasonable endeavours as agent for the Company to seek subscribers at the Placing Price for 63,157,894 million Placing Shares.

In consideration for its services the Placing Agent will be paid a commission of 4 per cent. of the aggregate value, at the Placing Price, of the Placing Shares issued pursuant to the Placing.

The Placing Agreement contains certain warranties given by the Company and the Manager (which are of a customary nature) in favour of the Placing Agent. The Placing Agreement may be terminated in certain circumstances prior to Admission.

- 7.5 An Introduction Agreement dated 15 June 2007 between the Company, the Manager, the Directors and the Nominated Adviser pursuant to which the Nominated Adviser has agreed, subject to certain conditions, (i) to submit an application for Admission to the London Stock Exchange and (ii) to act as the Company's nominated adviser in respect of such application. The Company has agreed to pay the Nominated Adviser a fee of £75,000 plus VAT and expenses.

The Introduction Agreement contains certain warranties given by the Company, the Directors and the Manager in favour of the Nominated Adviser as to the accuracy of the information contained in this document and other matters relating to the Company and its business. The Introduction Agreement also contains an indemnity from the Company and the Manager under which the Company and the Manager have agreed to indemnify the Nominated Adviser against all losses, claims, liabilities, actions, demands, costs, charges and expenses which the Nominated Adviser may incur in carrying out its obligations under the Introduction Agreement. The obligations of the Nominated Adviser under the Introduction Agreement (i) are conditional on certain matters and events including, *inter alia*, Admission taking place not later than 8.00 a.m. on 22 June 2007, or such later date as the Nominated Adviser and the Company may agree, not being later than 31 July 2007, and (ii) may be terminated before Admission in certain circumstances including in the event of a breach on the part of the Company, the Manager or the Directors (including a breach of warranty).

7.6 A Nominated Adviser and Broker Agreement dated 15 June 2007 between the Company and the Nominated Adviser pursuant to which the Nominated Adviser agrees to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for an annual fee of £25,000, payable twice yearly in advance, such annual fee to commence on 1 January 2008. The Nominated Adviser and Broker Agreement may be terminated by either party on 7 days' written notice (or immediately in certain circumstances) and contains certain indemnities given by the Company in favour of the Nominated Adviser.

7.7 An engagement letter dated 11 May 2007 between the Company and the Nominated Adviser pursuant to which the Nominated Adviser agrees to act for the Company as nominated adviser and financial adviser in relation to Admission. The engagement letter contains an indemnity from the Company to the Nominated Adviser. The engagement letter automatically terminates on Admission. In the event of any conflict between the terms of the engagement letter and the Introduction Agreement the terms of the Introduction Agreement prevail.

7.8 **Asmita Gardens Agreements**

7.8.1 On 11 August 2006, Asmita S.A. and Convergence Development (Cyprus) Limited (formerly Dandoe Limited and a subsidiary of the Company) concluded a joint venture agreement pursuant to which and subject to certain conditions precedent (all of which were subsequently met) the parties agreed to incorporate a Romanian special purpose vehicle named Asmita Gardens S.R.L. with the intention that Asmita Gardens S.R.L. would acquire for development four plots of land in Bucharest having an area of 26,922.13 sqm (the "Asmita Gardens Land"). Upon its incorporation, Convergence Development (Cyprus) Limited and Saiyad Muzaffar Hussain (a nominee of Asmita S.A.) each acquired a 50 per cent. share of the issued share capital of Asmita Gardens S.R.L.

7.8.2 Pursuant to a sale and purchase agreement between Asmita S.A. and Asmita Gardens S.R.L. dated 17 October 2006 (the "SPA"), Asmita Gardens S.R.L. purchased for development the Asmita Gardens Land from Asmita S.A. for a purchase price of €14,000,000. This price was settled in two instalments; the first €7,000,000 payment was made in cash and the second €7,000,000 was settled pursuant to the terms of the Set-off Agreement summarised below. The funding for the payments was provided by Convergence Development (Cyprus) Limited and by Asmita Construction Private Limited, a company wholly-owned by Saiyad Muzaffar Hussain, the second shareholder of Asmita Gardens S.R.L. The object of the SPA is the transfer of the ownership rights over the Asmita Gardens Land and the transfer of the building permit obtained for the development project. At the time of signing the SPA the Asmita Gardens Land was encumbered with a mortgage in favour of Alpha Bank Romania S.A. in relation to a bank loan extended to Asmita Gardens S.R.L.

7.8.3 On 17 October 2006 Asmita S.A. and Asmita Gardens S.R.L. entered into an assignment agreement (the "Assignment Agreement") the object of which was the assignment of all the project materials and project rights related to the Asmita Gardens Land acquired under the SPA. Pursuant to this agreement, Asmita S.A. assigned all rights, authorisations, permits, documents and all other materials in connection with the development of the residential project to Asmita Gardens S.R.L. for a total consideration of €1,481,702.66 (plus VAT). Asmita Gardens S.R.L. paid the consideration in two equal instalments. The first instalment was made in cash and the second pursuant to the terms of the Set-off Agreement summarised below. The funding for the instalments was provided by Convergence Development (Cyprus) Limited and by Asmita

Construction Private Limited, a company wholly-owned by Saiyad Muzaffar Hussain, the second shareholder of Asmita Gardens S.R.L.

7.8.4 Pursuant to a loan agreement dated 17 October 2006, Convergence Development (Cyprus) Limited provided a loan of €8,607,106.85 to Asmita Gardens S.R.L. in order to finance the following payments by Asmita Gardens S.R.L.:

- (a) 50 per cent. of the purchase price for the Asmita Gardens Land purchased under the SPA;
- (b) 50 per cent. of the price of the project materials and project rights assigned under the Assignment Agreement;
- (c) Notary fees, stamp duties related to the execution of the land sale purchase agreement; and
- (d) Payment of the VAT related to the execution of the Assignment Agreement.

The loan bears an interest rate of 6 per cent. per annum and must be repaid no later than 36 months from the execution of the loan agreement, and earlier in certain circumstances.

7.8.5 Pursuant to a loan agreement dated 17 October 2006, Asmita Construction Private Limited provided a loan of €7,740,851.33 to Asmita Gardens S.R.L. in order to finance the following payments by Asmita Gardens S.R.L.:

- (a) 50 per cent. of the purchase price for the Asmita Gardens Land purchased under the SPA; and
- (b) 50 per cent. of the price of the project materials and project rights assigned under the Assignment Agreement;

The loan bears an interest rate of 6 per cent. per annum and must be repaid no later than 36 months from the execution of the loan agreement, and earlier in certain circumstances.

7.8.6 Pursuant to a tripartite set-off agreement dated 17 October 2006 between Asmita Construction Private Limited, Asmita Gardens S.R.L. and Asmita S.A. (the "Set-off Agreement") the parties settled the outstanding liabilities as between them.

7.8.7 Asmita Gardens S.R.L. has entered into three construction agreements relating to the development of Asmita Gardens, either by itself entering the agreement directly or by the novation in its favour of construction agreements previously entered into by Asmita S.A. Strabag S.R.L. is appointed as general contractor under two of the construction agreements, one dated 10 October 2006 and novated 23 October 2006 (the "City View Agreement"), the other dated 15 March 2007 (the "River Side Agreement"). Strabag S.R.L. is entitled to total remuneration under the City View Agreement of €38,206,900 (plus VAT) and €50,070,000 (plus VAT) under the River Side Agreement. Marcora Constructii S.R.L. is appointed as general contractor under a construction agreement dated 25 May 2006 and novated on 23 October 2006 (the "Asmita Gardens Showroom Agreement"). Under the Asmita Gardens Showroom Agreement Marcora Constructii S.R.L. is entitled to total remuneration of €762,955 (plus VAT).

7.8.8 Pursuant to a service agreement dated 17 October 2006, Convergence Development (Cyprus) Limited has appointed JA Real Managers LLC to manage the Asmita Gardens residential project. Under the agreement JA Real Managers LLC is entitled to remuneration of €550,000 to be paid in three equal instalments with the final payment to be made on 15 August 2008.

7.8.9 Pursuant to a loan agreement dated 17 October 2006, Convergence Development (Cyprus) Limited provided a loan of €8,607,106.85 to Asmita Gardens S.R.L. in order to finance the following payments by Asmita Gardens S.R.L.:

- (a) 50 per cent. of the purchase price for the Asmita Gardens Land purchased under the SPA;
- (b) 50 per cent. of the price of the project materials and project rights assigned under the Assignment Agreement;
- (c) Notary fees, stamp duties related to the execution of the land sale purchase agreement; and
- (d) Payment of the VAT related to the execution of the Assignment Agreement.

The loan bears an interest rate of 6 per cent. per annum and must be repaid no later than 36 months from the execution of the loan agreement, and earlier in certain circumstances.

7.8.10 Pursuant to a loan agreement dated 17 October 2006, Asmita Construction Private Limited provided a loan of €7,740,851.33 to Asmita Gardens S.R.L. in order to finance the following payments by Asmita Gardens S.R.L.:

- (a) 50 per cent. of the purchase price for the Asmita Gardens Land purchased under the SPA; and
- (b) 50 per cent. of the price of the project materials and project rights assigned under the Assignment Agreement.

The loan bears an interest rate of 6 per cent. per annum and must be repaid no later than 36 months from the execution of the loan agreement, and earlier in certain circumstances.

Pursuant to a credit facility agreement dated 17 October 2006 Alpha Bank Romania S.A. provided Asmita Gardens S.R.L. with a credit facility to borrow up to an amount of €14 million in order to finance the development of the Asmita Gardens Land project. This credit facility agreement was amended on 17 May 2007 to extend the facility to a total of €47 million in order to finance the construction of the Asmita Gardens Land project. Of this amount €21,835,840 has been drawn down.

7.9 **Cascade Euro Tower Agreement**

Pursuant to a share sale and purchase agreement between East & Central European Venture Capital B.V., as seller, and Convergence Development (Cyprus) Limited (a subsidiary of the Company), as purchaser, dated 4 April 2007, the Group has secured the right to acquire, subject to the fulfilment of certain conditions precedent, 40 per cent. of the shares belonging to the Romanian special purpose vehicle Cascade Park Plaza SRL, which owns land with an area of 1,820.79 sqm located in Bucharest with the purpose of developing an office complex ("Cascade Euro Tower") at a purchase price of €5,000,000. Closing is contemplated to occur not later than 30 September 2007, provided that the conditions precedent are duly and fully met.

The conditions precedent include: (i) the issuance of certain permits and permissions prior to construction commencement, (ii) compliance by the seller with the positive and negative covenants under the relevant share sale and purchase agreement between the signing date thereof and the closing date, (iii) the joint venture agreement executed by the shareholders of Cascade Park Plaza SRL being in full force and effect, (iv) the seller providing the buyer with updated land book excerpts of the 1,820.79 sqm land evidencing its legal status as at closing, and (v) the vehicle Cascade Park Plaza SRL not holding any shareholding or other interest in any legal entity, partnership or other entity of any form whatsoever.

The shareholders of Cascade Park Plaza SRL have also entered into a related joint venture agreement, dated 4 April 2007, in relation to Cascade Park Plaza SRL and its proposed development of Cascade Euro Tower.

7.10 **Galleria Plovdiv Agreements**

7.10.1 Pursuant to a shareholders' agreement dated 1 February 2007 between Sienit Holding AD and Pamelko SA on the one hand and European Convergence Development (Malta) Limited (a subsidiary of the Company) ("ECDML") on the other (the "Shareholders' Agreement"), the parties agreed (subject to the fulfilment of various conditions precedent all of which were subsequently met) that European Convergence Development (Malta) Limited would acquire a 50 per cent. interest in 31,375 sqm of land (the "Galleria Plovdiv Site") and the related construction rights over such land for the purpose of constructing a shopping and leisure centre in Plovdiv City, Bulgaria ("Galleria Plovdiv").

7.10.2 In accordance with the Shareholders' Agreement, pursuant to a share purchase agreement dated 12 February 2007 between Sienit Holding AD and ECDML, ECDML acquired from Sienit Holding AD, at a purchase price of 25,000 Bulgarian Levs, 250 ordinary voting shares in Galleria Plovdiv AD representing 50 per cent. of the issued share capital of Galleria Plovdiv AD.

- 7.10.3 Pursuant to a loan agreement dated 12 February 2007, ECDML provided a loan of €10 million to Galleria Plovdiv AD. The purpose of the loan was to fund the acquisition by Galleria Plovdiv AD of the Galleria Plovdiv Site and certain buildings on the Galleria Plovdiv Site. The loan is interest free until the repayment date as defined in the loan agreement.
- 7.10.4 Pursuant to a preliminary construction agreement dated 12 March 2007 between Galleria Plovdiv AD and Sienit Holding AD, the parties agreed that Sienit Holding AD would be responsible for the construction and development of Galleria Plovdiv. The total construction cost is provisionally determined not to exceed €44 million. The term for the construction works was provisionally set at 20 months from 19 March 2007. The parties are currently negotiating a final construction agreement which will supersede the preliminary construction agreement.

Save for the agreements summarised above, the Company has not entered into any material contract or entered into any other contract which contains any provision under which the Company has any obligations or entitlement that is material to the Company as at the date of this document.

8 WORKING CAPITAL

In the Directors' opinion, having made due and careful enquiry, the working capital available to the Group will, from the date of this document, be sufficient for its present requirements, that is for at least the next 12 months.

9 MISCELLANEOUS

- 9.1 The Company has applied to CRESTCo for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the admission of the Ordinary Shares to CREST as a participating security will be effective from or soon after Admission. Shareholders who are direct or sponsored members of CRESTCo will be able to dematerialise the Ordinary Shares in accordance with the rules and practices instituted by CRESTCo.
- 9.2 The Group has not been and is not currently engaged in any governmental, legal or arbitration proceedings nor, so far as the Group is aware, are there any such governmental, legal or arbitration proceedings pending or threatened by or against the Group which may have or have had since the Company's incorporation a significant effect on the Group's financial position.
- 9.3 The Placing is not being underwritten.
- 9.4 Save for Nadia Marin who is employed by European Real Estate Development Invest S.R.L. as an assistant manager/translator in Romania, the Group does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.
- 9.5 The estimated total costs and expenses payable by the Company in connection with Admission (including professional fees, the costs of printing and the other fees payable) are expected to amount to €3,185,615.
- 9.6 The Company is not dependent on any patents or other intellectual property rights or licences.
- 9.7 The accounting reference date of the Company is 31 December.
- 9.8 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 26 July 2006 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 9.9 Panmure Gordon (Broking) Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.10 Charlemagne Capital (UK) Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

- 9.11 Charlemagne Capital (IOM) Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.12 Anglo Irish Bank Corporation (I.O.M.) P.L.C. has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.13 Anglo Irish Fund Services Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.14 SHM Smith Hodgkinson (Romania) srl has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.15 SHM Smith Hodgkinson (Romania) srl, Chartered Surveyors (RICS), accepts responsibility for the information contained in Part VIII of this document. To the best of the knowledge of SHM Smith Hodgkinson (Romania) srl (which has taken all reasonable care to ensure that such is the case), the information contained in Part VIII of this document is in accordance with the facts and contains no omission likely to affect the import of such information.
- 9.16 The ISIN number of the Ordinary Shares is GB00B1BJRB27. The SEDOL code of the Ordinary Shares is B1BJRB2. The TIDM code for the Company is ECDC.
- 9.17 The Company will not make any material change in the investment objectives and policy of the Company without the approval of Shareholders by ordinary resolution.
- 9.18 The Company is subject to the City Code on Takeovers and Mergers (the "Code") which, *inter alia*, provides that if any person, or company of persons acting in concert, acquires Ordinary Shares carrying 30 per cent. or more of the voting rights exercisable in general meetings, that person shall be required to make an offer for all the issued Ordinary Shares not already held by him (or persons acting in concert with him) in cash at the highest price paid by that person, or any person acting in concert with him during the 12 month period prior to the purchase of shares which triggered the obligation. Section 154 of the Act provides that if an offer is made for the issued share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances or purchased shares subsequent to the making of the offer amounting (in aggregate) to 90 per cent. of the shares to which the offer relates. Certain time limits apply.
- 9.19 Other than as provided in the Code there are no rules or provisions relating to mandatory takeover bids in relation to the Ordinary Shares. There are no rules or provisions relating to squeeze-out and/or sell-out rules, save as provided by Section 154 of the Act, relating to the Ordinary Shares.
- 9.20 Certain information in this document has been sourced from third parties. As far as the Company is aware and is able to ascertain from information published by those third parties, this information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 9.21 Save as disclosed in this document, no significant change in the financial or trading position of the Group has occurred since 31 December 2006, the date to which the financial information set out in Part VII of this document has been prepared.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH during business hours on any weekday (Saturdays and public holidays excepted) for a period of one month from the date of Admission:

- 10.1 the Memorandum and Articles;
- 10.2 the material contracts referred to in paragraph 7 of this Part X;
- 10.3 the Law;

- 10.4 the Financial Information set out in Part VII of this document;
- 10.5 the consent letters referred to in paragraphs 9.9 to 9.14 of this Part X; and
- 10.6 this document.

Dated: 15 June 2007