European Convergence Development Company

EUROPEAN CONVERGENCE DEVELOPMENT COMPANY PLC

Consolidated Interim Report

Six Months ended 30 June 2007

ISIN No. GB00B1BJRB27

CONTENTS

Management and Administration

Directors * independent	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
Registered Office	Jubilee Buildings, Victoria Street Douglas Isle of Man IM1 2SH British Isles
Secretary	Ian Dungate C/o Galileo Fund Services Limited Jubilee Buildings, Victoria Street Douglas Isle of Man IM1 2SH British Isles
Manager	Charlemagne Capital (IOM) Limited Regent House, 16-18 Ridgeway Street Douglas Isle of Man IM1 1EN British Isles
Nominated Adviser and Broker	Panmure Gordon (Broking) Limited Moorgate Hall 155 Moorgate London EC2M 6XB United Kingdom
Cash Custodian	Anglo Irish Bank Corporation (I.O.M.) P.L.C. Jubilee Buildings, Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Galileo Fund Services Limited (formerly known as Anglo Irish Fund Services Limited) Jubilee Buildings, Victoria Street Douglas Isle of Man IM1 2SH British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
Auditors	KPMG Audit LLC Heritage Court, 41 Athol Street Douglas Isle of Man IM99 1HN British Isles

Management and Administration continued

Legal Advisers

As to Isle of Man Law
Cains Advocates Limited
15-19 Athol Street
Douglas
Isle of Man IM1 1LB
British Isles

As to English Law
Stephenson Harwood
One, St Paul's Churchyard
London EC4M 8SH
United Kingdom

Subsidiaries

European Convergence Development Company (Cayman) Limited
PO Box 309GT, Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

European Convergence Development (Malta) Limited
4 V. Dimech Street
Floriana
Malta

Convergence Development (Cyprus) Limited
27 Pindarou, Alpha Business Centre, 2nd Floor
PC1060 Nicosia
Cyprus

European Real Estate Development Invest SRL
Calea Serban Voda, No. 133
Building A, Ground Floor, Room No. 9
Sector 4
Bucharest
Romania

Convergence Property Invest SRL
69-71 Soseaua Bucuresti-Ploiesti
1st Floor, Room No. 35, Sector 1
Sector 1
Bucharest
Romania

Joint Venture Companies

Asmita Gardens SRL
28 G-ral C-tin Budisteanu Street
Third Floor, Room No. 13
Sector 1
Bucharest
Romania

Management and Administration continued

Galleria Plovdiv AD
1 Asenovgradsko Shose Str.
4023 Plovdiv
Bulgaria

Cascade Park Plaza SRL
33 Emanoil Porumbaru Street
B1 A, App.3, Room 2
Sector 1
Bucharest
Romania

Chairman's Statement

This reporting period has seen substantial inward investment of €60m into European Convergence Development Company plc (the "Company" or "Group"), combined with a successful listing of the Company's shares on the AIM Market of the London Stock Exchange.

The property market in South East Europe has continued its robust development with the yields on prime investment properties continuing to converge towards those of Central Europe. The search for higher medium term yields has lead to substantial growth in property development as investors shift from the acquisition of properties to their development.

As at the balance sheet date of 30 June 2007, the Group had completed on two of its joint venture acquisitions in Romania and Bulgaria - Asmita Gardens SRL (Romania), relating to the co-development of Asmita Gardens, and Galleria Plovdiv AD (Bulgaria) relating to the co-development of Galleria Plovdiv. More recently, the Group has completed on its joint venture acquisition of Cascade Park Plaza SRL (Romania) relating to the co-development of Cascade Business Centre and awaits completion of its acquisition of Mega Mall Rousse AD (Bulgaria) relating to the co-development of Mall Rousse.

Since the balance sheet date the Company has entered into two new investment transactions. Initial phase agreements have been entered into in respect of joint venture projects in Bulgaria (Bourgas Retail Park) and Romania (DN1 Land). Additionally, the Company is reviewing a number of other potential projects across the development sectors as detailed in the Report of the Manager.

The Company made a loss in the reporting period of €0.740m, reflecting its initial investment phase and associated set up costs, and consequently the Board will not be declaring a dividend at this stage. The objective of the Company remains, however, to provide enhanced returns to its shareholders both through sustained growth of its net assets per share and through profit distribution.

Erwin Brunner
Chairman

27 September 2007

Report of the Manager

Development Market Overview

The Manager has continued to concentrate on the identification of opportunities in the Romanian and Bulgarian markets over the reporting period. The increasing breadth and depth of the Manager's market contacts is generating a wide variety of attractive potential projects in the Company's three target sectors; retail, office and residential.

Development market momentum is increasing, particularly as many participants have now passed through the investment market and realised that the medium term potential for higher returns lies in sourcing and securing development opportunities. Further compression of prime yields towards those of Central Europe confirm that the risk profile of investment grade assets is diminishing and that the higher returns being targeted by some funds within the investment market are now becoming less realistic. Benchmark yields for grade A office assets in central Bucharest have now dropped below 6% with the sale of GTC's America House (quoted at c.5.85% in various local newspapers) during the summer. Provincial Romanian retail assets are now quoted by some commentators at sub 7%.

Consequently, increases in land prices are likely. In particular, prices for lots of a good size are attracting the highest bids as they are becoming increasingly scarce in central and suburban areas in both Bucharest and Sofia. This is driving the sourcing of opportunities to a greater radius from the city centre; typically towards the north of Bucharest and towards the south of Sofia.

Although the rate of construction cost increase has not matched that of land cost increase over the period, the combined inflationary effect on a project's total development cost may soon drive some developers to unrealistic expectations regarding the rate of leasing and level of rents. Some commentators in both the Romanian and Bulgarian markets believe that an increase in office supply over the next couple of years could see vacancy rates increase. This is likely to have a greater effect on those developments which do not offer any particular market differentiation, with the obvious consequences on those development's forecast returns.

Romania
The principle concern for the Bucharest market by the period end was the potential over supply of grade A office space in the short term. This will be closely dependant on rents sought by landlords and the quality of product coming to the market.

Although good opportunities are still available for office and retail developments, the most favourable sector is probably residential due to the relatively few numbers of apartments forecast to be coming to market over the next few years. Colliers Romania only expect some 15,000 additional new-build apartments to be offered in the period to 2010 – a modest number for a city the size, and with the growth prospects, of Bucharest.

Bulgaria
Of note through the first half of 2007 is the apparent beginning of the maturing of the Sofia and Bulgarian tourist sector residential markets. Colliers Bulgaria indicate a levelling off of apartment price increases and a greater awareness from buyers of the quality of product being offered. It is now becoming commonly accepted in Bulgaria that the principle high-profile tourist destinations have been compromised due to over development and poor infrastructure with poor quality stock, which we believe will have an impact on primary and secondary market prices in the future.

Debt Market Overview

Although the Greek banks continue to demonstrate a strong appetite for development projects, the Austrian banks are very close competitors regarding debt pricing and / or terms available. Banks continue to favour credible developer or partner enterprises with a strong professional management and design team supported by solid local market experience. The Manager believes that developers who can demonstrate these qualities will be in an advantageous position in the future if market sectors become oversupplied and development fundamentals become compromised.

Despite the recent turbulence in the global credit markets the Company is not experiencing any difficulties in seeking bank finance for its development projects.

Report of the Manager continued

Property Portfolio

As at the period end the Company had secured its investments in the Asmita Gardens residential development in Bucharest, Romania and the Galleria Plovdiv retail development in Bulgaria. As of 6 August 2007 the Company had also secured the Cascade Euro Tower development in Bucharest and more recently, the Bourgas Retail Park development in Bulgaria (as at 22 August 2007). Further, the Company has entered into a financial transaction which is expected to complete during October 2007, to secure the right to co-develop Mall Rousse in Bulgaria and the DN1 Land transaction for the purpose of acquiring land for co-development of a class A office building in Romania.

Development Programme:

<u>Asmita Gardens</u>
The rate of sales for Asmita Gardens is currently ahead of forecast with some 297 apartments having been sold (from a total of 799.) representing a current total sales value (off-plan contracts or reservations) of c.€39.4 million (forecast: c.€165 million).

Construction of phase 1, which had begun prior to the joint venture acquisition, is now scheduled to complete July 2008 and construction of phase 2 is scheduled to complete April 2009.

<u>Galleria Plovdiv</u>
Having agreed concept drawings in August the appointed Architect, Chapman Taylor is now working on producing the necessary schematic drawings.

Building permits have been received and with the funding secured, various contractors have been appointed including Gardiner & Theobald who has been appointed project manager. The main building contractor is the Company's JV partner, Sienit Holding AD.

Marketing will commence in earnest subsequent to the public launch of the project in Plovdiv which is expected to be held on 2 October 2007.

<u>Cascade Euro Tower</u>
Building permissions were received in August and the site is currently being cleared and prepared for the commencement of construction works.

The developer, the Company's JV partner East & Central European Venture Capital BV, has chosen to work with several sub-contractors for each of the major components of the project and Bovis Lend Lease has been appointed to oversee the whole development.

Marketing has commenced and a number of potential significant anchor tenants have already been approached.

Acquisition Programme:

Mall Rousse:

European Convergence Development (Malta) Limited entered into a Shareholders Agreement on 26 June 2007 with Megahim AD, a Bulgarian company, for the establishment of a special purpose vehicle (Mega Mall Rousse AD) to develop a new retail and leisure centre located in central Rousse, Bulgaria. ECDC contributed €4 million to co-capitalize the SPV and received 50% of its shares. The development of Mall Rousse is anticipated to be completed within 24 months. The total development cost (including land) is estimated to be over €30 million, ex-interest, 75% of which is likely to be debt financed.

Report of the Manager continued

Mall Rousse is to be located in Rousse which is Bulgaria's fifth largest city, strategically situated on the Danube river and on the border between Bulgaria and Romania. The population of Rousse is c.170,000 with the wider catchment area having a total population of more than 350,000 people. The development location is within a dense residential area in the central urban district, close to the pedestrian zone and urban transport facilities. The asset is expected to be Rousse's downtown retail attraction and will consist of over 45,000 sqm of gross floor area accommodating over 20,000 sqm of retail and leisure facilities supported by over 400 car parking spaces. Concept designs are being led by architects and master planners Chapman Taylor Düsseldorf and the construction works will be tendered to leading Bulgarian companies.

Bourgas Retail Park:

European Convergence Development (Malta) Limited entered into a Preliminary Land Purchase Agreement on 21 August 2007 with Sienit Holding AD, a Bulgarian company, for the development of a shopping mall and adjacent big-box and retail warehouse outlets to the south of Bourgas, a city on Bulgaria's southern Black Sea coast. ECDC's participation will be via a contribution of 70% of the equity required for the project via a €8.925 million shareholder loan into a SPV company (Turgovski Park Kraimorie AD) established for the acquisition of the land and the execution of the project. For this contribution ECDC has secured 60% of the development proceeds. Sienit's participation in the land acquisition will also be on the basis of a shareholder's loan, initially provided by ECDC on a collateralized and short-term basis of 180 days.

Sienit is ECDC's joint venture partner for the development of Galleria Plovdiv a 100,000 sqm retail mall announced as a part of ECDC's listing on 18 June 2007.

The development is forecast to provide over 60,000 sqm of Gross Lettable Area. Total development costs (including land) are estimated at c.€60 million and the project has an expected duration of 30 months.

Charlemagne Capital (IOM) Limited
Manager

27 September 2007

Consolidated Income Statement

	Note	(Unaudited) For the period from 1 January 2007 to 30 June 2007 €'000	(Audited) For the period from 26 July 2006 (date of incorporation) to 31 December 2006 €'000
Net rent and related income		-	-
Manager's fees	8.3	(294)	(184)
Audit and professional fees	9.6	(283)	(26)
Other operating expenses	9.4	(213)	(91)
Administrative expenses		(790)	(301)
Net operating loss before net financing income		(790)	(301)
Financial income	6	274	263
Financial expenses	6	(12)	(2)
Net financing income		262	261
Share of loss of equity accounted investees	10	(212)	(49)
Loss before tax		(740)	(89)
Income tax expense	18	-	-
Retained loss for the period		**(740)**	**(89)**
Basic and diluted loss per share (€)	14	**(0.0185)**	**(0.0023)**

The Directors consider that all results derive from continuing activities.

Consolidated Balance Sheet

	Note	(Unaudited) At 30 June 2007 €'000	(Audited) At 31 December 2006 €'000
Investment in equity accounted investees	10	280	476
Total non-current assets		**280**	**476**
Trade and other receivables	11	18,631	7,969
Cash and cash equivalents	12	70,561	22,030
Total current assets		**89,192**	**29,999**
Total assets		**89,472**	**30,475**
Issued share capital	13	80,983	30,457
Share premium		6,458	-
Foreign currency translation reserve		2	-
Retained losses		(949)	(209)
Total equity		**86,494**	**30,248**
Interest-bearing loans and borrowings		-	-
Total non-current liabilities		**-**	**-**
Trade and other payables	15	2,978	227
Total current liabilities		**2,978**	**227**
Total liabilities		**2,978**	**227**
Total equity & liabilities		**89,472**	**30,475**

The accompanying Notes form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
	€'000	€'000	€'000	€'000	€'000
Balance at 26 July 2006	-	-	-	-	-
Shares issued in the period	30,457	-	-	-	30,457
Share issue expenses	-	-	-	(120)	(120)
Retained loss for the period	-	-	-	(89)	(89)
Balance at 31 December 2006	**30,457**	**-**	**-**	**(209)**	**30,248**
Balance at 1 January 2007	30,457	-	-	(209)	30,248
Shares issued in the period	50,526	9,474	-	-	60,000
Share issue expenses	-	(3,016)	-	-	(3,016)
Foreign currency exchange differences			2		2
Retained loss for the period	-	-	-	(740)	(740)
Balance at 30 June 2007	**80,983**	**6,458**	**2**	**(949)**	**86,494**

The accompanying Notes form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	(Unaudited) For the period from 1 January 2007 to 30 June 2007 €'000	(Audited) For the period from 26 July 2006 (date of incorporation) to 31 December 2006 €'000
Operating activities			
Loss before tax		(740)	(89)
Adjustments for:			
Financial income		(274)	(263)
Financial expense		12	2
Share of loss of equity accounted investees		212	49
Operating loss before changes in working capital		**(790)**	**(301)**
Increase in trade and other receivables		(662)	(81)
Increase in trade and other payables		2,753	227
Cash used generated from/(used in) operations		**1,301**	**(155)**
Financial expenses paid		(12)	(2)
Financial income received		274	263
Cash flows from operating activities		**1,563**	**106**
Investing activities			
Acquisition of equity accounted investees	10	(16)	(525)
Loans to equity accounted investees	11	(10,000)	(7,888)
Cash flows used in investing activities		**(10,016)**	**(8,413)**
Financing activities			
Proceeds from the issue of ordinary share capital	13	60,000	30,457
Share issue expenses	9.5	(3,016)	(120)
Cash flows generated from financing activities		**56,984**	**30,337**
Net increase in cash and cash equivalents		48,531	22,030
Cash and cash equivalents at beginning of period		22,030	-
Cash and cash equivalents at end of period	12	**70,561**	**22,030**

The accompanying Notes form an integral part of these consolidated financial statements

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.

Pursuant to a prospectus dated 15 June 2007 there was a placing of 63,157,894 Ordinary Shares at the placing price of €0.95 per Share. Following the close of the placing on 20 June 2007 63,157,894 shares were issued.

The Shares of the Company were admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") on 21 June 2007 when dealings also commenced.

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

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.

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.

2 Subsidiary Companies

For efficient portfolio management purposes, the Company has established the following subsidiary companies:-

	Country of incorporation	Percentage of shares held
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 SRL	Romania	100%
Convergence Property Invest SRL	Romania	100%

Notes to the Financial Statements continued

3 Joint Venture Companies

Asmita Gardens SRL

On 11 August 2006, Asmita SA and Convergence Development (Cyprus) Limited (formerly Dandoe Limited), 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 SRL with the intention that Asmita Gardens SRL 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 SA) each acquired a 50 per cent. share of the issued share capital of Asmita Gardens SRL

Pursuant to a sale and purchase agreement between Asmita SA and Asmita Gardens SRL dated 17 October 2006 (the "SPA"), Asmita Gardens SRL purchased for development the Asmita Gardens Land from Asmita SA 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 SRL.

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").

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.

Cascade Park Plaza SRL

Pursuant to a share sale and purchase agreement between East & Central European Venture Capital BV, 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. The transaction closed on 7 August 2007 as a result of all conditions precedent having been 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.

4 Significant Accounting Policies

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

The interim report for the period ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated accounts are unaudited.

4.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IFRS").

Notes to the Financial Statements continued

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

4.2 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.

4.3 Deposit interest

Deposit interest is accounted for on an accruals basis.

4.4 Development property

Property that is held for sale in the ordinary course of business or that is under construction or development for sale in the ordinary course of business is classified as inventory and held at the lower of cost and net realisable value.

4.5 Cash and cash equivalents

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

4.6 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 the relevant investment. Expenses arising on the disposal of an investment property are deducted from the disposal proceeds.

4.7 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 for the purposes of 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 polices. 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.

Notes to the Financial Statements continued

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.

4.8 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved. There was no dividend declared as at 30 June 2007.

4.9 Other receivables

Other receivables are stated at cost.

4.10 Trade and other payables

Trade and other payables are stated at cost.

4.11 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.

5 Segment Reporting

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

6 Net Financing Income

Net financing income consists of bank interest earned of €274,075 and bank charges of €12,130.

7 Net Asset Value per Share

The net asset value per share as at 30 June 2007 is €0.8544 based on 101,228,894 ordinary shares in issue as at that date.

8 Related Party Transactions

8.1 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.

Notes to the Financial Statements continued

8.2 Directors of the Subsidiaries

James Houghton is a director of the Manager. Malcolm Sargeant, Dennis Selinas and Alan Cartlidge are employees 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.

8.3 Manager fees

Annual fees

The Manager is entitled to an annual management fee of 2% 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 30 June 2007 amounted to €293,625.

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% 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 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 30 June 2007 amounted to € Nil.

8.4 Placing agent

In accordance with the terms of the Placing, the Placing Agent was entitled to receive from the Company an amount equal to 4% of the amount raised by the Placing Agent on behalf of the Company.

Placing fees payable by the Company during the period ended 30 June 2007 amounted to €2,400,000. This amount has been charged to equity as a share issue expense.

9 Charges and Fees

9.1 Nominated Adviser and Broker fees

Pursuant to the Placing and in its capacity as AIM Sponsor, the Nominated Adviser and Broker was entitled to receive a fee of £75,000. The payment of this fee was conditional upon admission of the Company's Shares to AIM taking place on or before 8 June 2007 or such later date as may have been agreed, not being later than 31 July 2007. This amount has been charged to equity as a share issue expense.

As Nominated Adviser and Broker to the Company for the purposes of the AIM rules, the nominated adviser and broker is entitled to receive an annual fee of £25,000, payable twice yearly in advance, such annual fee to commence on 1 January 2008.

9.2 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.

Notes to the Financial Statements continued

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 30 June 2007 amounted to €3,840.

9.3 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 30 June 2007 amounted to €30,720.

9.4 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.

9.5 Preliminary (formation) expenses

The estimated total costs and expenses payable by the Company in connection with the 2006 original placing (including professional fees and other fees payable) was approximated to equal €150,000. The actual total amount of preliminary expenses was €119,604 representing 0.39% of the gross amount raised. These preliminary expenses were charged to equity as share issue costs.

The estimated total costs and expenses payable by the Company in connection with the June 2007 placing (including professional fees and other fees payable including commission payable to the Placing Agent) was approximated to amount to €3,185,615. The actual total amount of preliminary expenses was €3,016,226 representing 5.03% of the gross amount raised. These preliminary expenses were charged to equity as share issue costs.

9.6 Audit fees

Audit fees payable for the period ending 30 June 2007 amounted to €29,284.

10 Investment in equity accounted investments

	30 June 2007 €'000	31 December 2006 €'000
At beginning of period	476	-
Acquisition of equity accounted investment	16	525
Share of loss of equity accounted investments	(212)	(49)
Balance at end of period	280	476

Notes to the Financial Statements continued

Investments at 30 June 2007 represents the investments in Asmita Gardens SRL and Galleria Plovdiv AD. In aggregate this comprises €12,889 of share capital and €527,682 costs of acquisition.

The Company's share of the results, assets and liabilities are as follows:

Name	Country of incorporation	Assets €'000	Liabilities €'000	Revenues €'000	Loss €'000	% interest held
Asmita Gardens SRL	Romania	23,235	(23,495)	12	(211)	50%
Galleria Plovdiv AD	Bulgaria	10,145	(10,133)	-	(1)	50%

11 Trade and Other Receivables

Trade and other receivables includes loans to equity accounted investees of €7,887,996 for Asmita Gardens SRL (bearing interest at 6% per annum and due to be repaid after the investee has repaid its debts to Alpha Bank Romania S.A) and €10,000,000 for Galleria Plovdiv AD (non interest-bearing and due to be repaid after the bank debt facility and associated costs have been settled).

12 Cash and Cash Equivalents

	30 June 2007 €'000	31 December 2006 €'000
Bank balances	70,561	22,030
Bank overdrafts	-	-
Cash and cash equivalents	70,561	22,030

13 Capital and Reserves

Share Capital

Ordinary Shares of €0.80 each	Number	€000
Shares in issue at 26 July 2006	-	-
Issued during the period	38,071,000	30,457
Shares in Issue as at 31 December 2006	38,071,000	30,457
Shares issued during the period	63,157,894	50,526
Balance at 30 June 2007	101,228,894	80,983

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.

14 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 weighted average number of ordinary shares in issue during the period.

	30 June 2007	31 December 2006
Loss attributable to equity holders of the Company (€'000)	740	89
Weighted average number of ordinary shares in issue (thousands)	39,929	38,071
Basic and diluted loss per share (€ per share)	0.0185	0.0023

Notes to the Financial Statements continued

15 Trade and Other Payables

	30 June 2007 €'000	31 December 2006 €'000
Accruals	215	227
Other creditors	2,763	-
Total	2,978	227

16 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 30 June 2007:

BGN	1.9558
GBP	0.6724
RON	3.1846

17 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 for the period from incorporation up to 21 June 2007 was entitled to receive a fee of €11,250 p.a. From 21 June 2007, the listing date of the Company's Shares on AIM, each Director is entitled to receive a fee of €22,500 p.a. The Directors are also 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 30 June 2007 amounted to €27,486.

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.

18 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.

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 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.

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.

Notes to the Financial Statements continued

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

19 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
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 currencies giving rise to this risk are primarily Romanian Lei and Bulgarian Lev.

	Net Assets € 000s
Bulgarian Lev	12
Romanian Lei	158
Euro	86,324
Total	86,494

Price risk
The Group is exposed to property price and market rental risks via its investments in equity and debt in Asmita Gardens SRL and Galleria Plovdiv AD, which are property development companies.

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 interest-bearing loan to equity accounted investee is at a fixed rate.

Fair values
All assets and liabilities at 30 June 2007 are considered to be stated at fair value except the fixed rate loan. It is not practical to determine the fair value.

20 Commitments as at the Balance Sheet Date

As at the date of this report, the Group has entered into the following agreements:-

Notes to the Financial Statements continued

Cascade Business Centre

A shareholder agreement, dated 4 April 2007, to secure the right to buy 40% of Cascade Park Plaza SRL with the purpose of developing an office complex ("Cascade Euro Tower") for a net investment cost of c.€5 million. The transaction completed (all conditions precedent having been met) on 7 August 2007.

Mall Rousse

A shareholder agreement, dated 26 June 2007, to co-develop Mall Rousse, a shopping mall situated in Rousse, Bulgaria for a net investment cost of c. €4 million. It is expected the transaction will complete during October 2007.

21 Post Balance Sheet Events

Bourgas Retail Park, Bulgaria

On 22 August 2007, Convergence Development (Malta) Limited (a subsidiary of the Company) and Sienit Holding AD concluded a preliminary land purchase agreement pursuant to which and subject to certain conditions precedent (all of which were subsequently met as at 20 August 2007) the parties agreed to incorporate a Bulgarian special purpose vehicle named Turgovski Park Kraimorie AD with the intention that Turgovski Park Kraimorie AD would acquire for development plots of land in Bourgas, Bulgaria (the "Bourgas Land"). Upon its incorporation, Convergence Development (Cyprus) Limited and Sienit Holding AD each acquired 70% and 30% respectively, of the issued share capital for a nominal purchase price of €17,500 and €7,500 respectively.

Further, in accordance with the above agreement the parties agreed that Turgovski Park Kraimorie AD would purchase for development the Bourgas Land for a purchase price of €12,750,000. Bourgas Land was acquired by way of shareholder loans from each of the JV partners on 22 August 2007. The Group's contribution was via a €8.925 million shareholder loan into the SPV. On the basis of this contribution the Group secured 60% of the development proceeds. Sienit Holding AD contribution of €3.825 million was made on the basis of a shareholder's loan, initially provided on a collateralized and short-term basis of 180 days by the Group.

DN1 Land Project, Romania

On 18 September 2007 pursuant to a share purchase agreement between Convergence Development (Cyprus) Limited and Dickau Investments Limited, Convergence Development (Cyprus) Limited sold 50% of its interest in Convergence Development Invest SRL (a special purpose vehicle) to Dickau Investments Limited for the purpose of acquiring land for co-development of a class A office building.

The Group investment into the initial phase of the project, which was funded by a combination of shareholder loan into the SPV and mezzanine finance, is approximately €5.8 million.