ECDC

European Convergence Development Company

EUROPEAN CONVERGENCE DEVELOPMENT COMPANY PLC

Consolidated Interim Report

Six months ended 30 June 2009

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	Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Secretary	Ian Dungate C/o Galileo Fund Services Limited Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Manager	Charlemagne Capital (IOM) Limited St Mary's Court, 20 Hill Street Douglas Isle of Man IM1 1EU British Isles
Nominated Advisor and Broker	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB United Kingdom
Cash Custodian	Anglo Irish Bank Corporation (International) PLC Jubilee Buildings, Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Galileo Fund Services Limited Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom

Management and Administration continued

Auditors

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

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 309, Ugland House
Grand Cayman
Cayman Islands
British West Indies

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

Convergence Development (Cyprus) Limited
12 Esperidon Street, 4th Floor
PC1087 Nicosia
Cyprus

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

European Property Acquisitions EOOD
58 Bulgaria Boulevard
Block B, Level 1
Office 32
Sofia 1680
Bulgaria

Management and Administration continued

Subsidiaries (continued)

Asmita Holdings Limited
12 Esperidon Street, 4th Floor
PC1087 Nicosia
Cyprus

Baneasea Holdings Limited
12 Esperidon Street, 4th Floor
PC1087 Nicosia
Cyprus

Joint Ventures

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

Cascade Park Plaza SRL
33 Emanoil Porumbaru Street
Bl A, App 3, Room No. 2
Sector 1
Bucharest
Romania

Galleria Plovdiv AD
1 Assenovgradsko Shosse Street
Plovdiv
Bulgaria

Turgovski Park Kraimorie AD
1 Assenovgradsko Shosse Street
Plovdiv
Bulgaria

Mega Mall Rousse AD
123 Lipnik Boulevarde
Rousse
Bulgaria

Convergence Development Invest SRL
69-71 Soseaua Bucuresti-Ploiesti
2nd Floor, Room No. 23
Sector 1
Bucharest
Romania

Trade Center Sliven EAD
Nova Industrialna Zona Housing Complex
Bansko Shosse Street
Sliven
Bulgaria

Chairman's Statement

During the first half of 2009, the Group has continued to progress its four assets under construction and progressed plans for the remaining three projects. The four assets under construction are all nearing completion. For a variety of reasons, not least being the global economic crisis, three of the four assets under construction have required refinancing and the commitment of a total of €14.7m in additional capital during the year to date. The Board expects that in some cases further financial support may be required, but is confident the Group has adequate resources to support the four investments to completion.

Of the four assets under construction, the latest is expected to reach successful completion in March 2010. After this date the four operating properties should each generate sufficient cashflow to ensure their debts are fully serviceable.

A detailed account of the status of each property development project is given in the Manager's Report and the accompanying Shareholder Update Report announced on 18 September 2009.

During the period under review, the Group made a loss before tax of €1.621m. As in previous periods, this is to be expected given the nature of its business. The Group should realise significant income from its investments only after each has been completed and sold.

The resulting unaudited NAV per share at 30 June 2009 was €0.77 per share, a reduction of €0.01 per share from the December 2008 figure.

Subsequent to March 2010 the Group expects to turn its attention to seeking an exit from the completed assets, identifying further investment opportunities and progressing the remaining three assets.

The Board has been and continues to be mindful of the fact that the Group's success is dependent to varying degrees on the financial strength of its partners in each joint venture. The Board is reassured by the additional financial commitment made by the Group's partner in the Asmita, Cascade and Galleria Plovdiv projects and the sound cost management undertaken by the Group's partner in the Rousse project. Further reassurance over the security of the Group's investments is provided by the proximity of completion of the projects under construction, and resulting increasing clarity of further financial requirements to completion and operating cashflows for holding post-completion, which the Group expects to be able to support. In line with the accounting policy of the Group, all developments have been valued at the lower of cost and net realisable vale. In arriving at its view regarding the value of each investment on the balance sheet, the Board has made a number of estimates and assumptions concerning future events which may or may not prove correct, and should the economic climate worsen or these assumptions prove incorrect, there is a risk that the Group's investments could suffer further impairment.

The Board will not declare a dividend for the year. The objective of the Company remains to provide enhanced returns to its shareholders both through sustained growth of its net assets per share, and through profit distribution.

Erwin Brunner
Chairman

17 September 2009

Report of the Manager

Company Overview: The total amount now invested/committed by the Company is €65m representing 76% of its net capital raised (after allowing for share buybacks). The Company has bought back a total of 10.71m shares since March 2008, and has unallocated cash resources of €12.0m.

In both the Romanian and Bulgarian markets, the banks have been supportive to developers but at the same time are reflecting market conditions in the pricing of their debt. With only one exception the Company's financing banks have increased the margins charged on current facilities.

The unaudited Report and Accounts at 30 June 2009 indicate a NAV per share of €0.77 representing a decrease of €0.01 per share compared to the previous year end. The last shareholder update issued in January 2009 indicated a pro-forma NAV of €0.85 per share which was based upon a valuation exercise undertaken by SHM Smith Hodgkinson. For accounting purposes the Board has valued the development assets at the lower of cost or realisable value. The five developments (Cascade, Asmita, Plovdiv, Rousse and Bourgas) have all been valued at cost, whilst in the 2008 accounts the Board decided to provide for a 50% reduction in the value of the investment in Sliven and 100% for the investment in Baneasea.

The Board continues to look for new opportunities in the region, particularly given the potential for entering projects at a discount, and continues to seek purchasers for its assets, of which 5 are nearing completion.

ROMANIAN ASSETS
ASMITA GARDENS
Project Overview: The first phase of Asmita Gardens (324 apartments) was completed at the end of July 09 and the second (434 apartments) with an expected completion date of October 09.

Equity: In June 2009 the Company invested a further €4.8m, with an equal contribution made by its partner, to ensure sufficient financing for the development to be completed and all apartments sold. Total equity invested by ECDC in this project is now €12.7 m. As a condition of this additional equity investment, the Manager has renegotiated the capital distributions on exit such that ECDC will be repaid its initial equity investment (€7.9m) first and then ECDC's additional equity (€4.8m) will be distributed on a pro-rata basis together with the partners' additional equity.

Banking: The manager has renegotiated an increase to the main construction loan and extended its duration to December 2012 The Board believe that, in these challenging current market conditions, the longer debt maturity of an additional three years will provide sufficient time to sell the entire apartment stock.

Sales and the Current Market: As at 31st July 253 apartments had been sold in Phase 1, 130 apartments sold in Phase 2, and of the total retail space 170 sqm has been let, with additional expressions of interest for the majority of the remaining area.

CASCADE
Project Overview: The construction of the Cascade office building is well advanced with completion anticipated in November 2009.

Equity: In June 2009 the Company invested an additional €4.0m in the local development company, and the partner invested a further €1.6m. This increased the total investment by ECDC in the project to €9.0m. As a condition of the additional investment, the exit distribution was restructured to ensure that the additional loan plus appropriate return is repaid ahead of any other distributions.

Banking: The existing development facility, expires on 31st December 2009 and is replaced by an investment loan with an end date of December 2019. The investment loan is amortised evenly over the duration leaving a 30% repayment in 2019.

Leasing: The building is currently 73.7% pre let (of total leasing area) with a further 5.2% under offer which if converted will give a Net Operating Income which is sufficient to cover financing costs and principal repayments and generate positive cashflow on the commencement of operations.

Report of the Manager continued

BANEASEA

Project Overview: ECDC invested €5.9m into the acquisition of a plot of land in Baneasea, a suburb of Bucharest, Romania, near the airport and adjacent to the DN1, the main road linking Bucharest with the rest of the country.

The Company is technically in breach of its banking covenants for the €20m facility used to acquire the site and the Manager is in discussions with the Bank to explore a possible restructuring.

BULGARIAN ASSETS

GALLERIA PLOVDIV

Project Overview: Construction of the Galleria Plovdiv regional shopping centre is well advanced and completion is anticipated shortly.

Equity: Since November 2008 an additional €8m has been committed to the development by ECDC whilst our partner has committed a further investment of €2m. ECDC additional equity of €6m and associated returns will rank ahead of the original equity in any exit distribution. The Manager has also negotiated additional security for the additional equity provided on behalf of the Partner.

Banking: The debt facility has been restructured and the new facility expires in December 2014.

Leasing: Market conditions are extremely tough, however Galleria Plovdiv has leases signed or under negotiation amounting to 72% of the GLA. Signed leases are due to generate sufficient net operating income to service the loan during the first year of opening.

ROUSSE MEGA MALL

Construction of the Mall is progressing well with completion scheduled for December 2009 and an official opening in March 2010

Equity: No further investment has been made since the initial investment of €4.0m. The challenging leasing market may materially impact the operating cash flow of the development thereby potentially requiring an additional equity investment from the Partners in the future.

Banking: The development facility of €24.0m expires in December 2010 and is replaced by an investment loan which expires in 2018.

Leasing: Just like Plovdiv, the letting market in Rousse is extremely tough. Total space let or under negotiation is slightly below 50%. Every effort is being made to close these negotiations successfully, and the Manager anticipates leasing take up to increase as the completion and opening dates approach.

BOURGAS RETAIL MALL

The planned development is a 46,400 sqm GLA big box retail park on the outskirts of Bourgas. At present good interest is being shown in two of the anchor units. The Manager is of the opinion that a minimum of 50% of the lettable space will need to be pre-let before meaningful conversations can be had with banks about the provision of development finance facilities. The project has therefore been put on hold whilst tenants are found for the anchor units.

In order to progress this development, the Manager expects that further equity investment will be required.

TRADE CENTRE SLIVEN

The fund has invested €3.9m in Trade Centre Sliven EAD which owns a 9,800 sqm plot of land close to the town centre of Sliven. Concept designs for a retail and leisure centre have been produced and all necessary planning consents have been obtained to enable the development to proceed. The lack of available development finance and pre leasing has meant that the Manager has put the project on hold until there is a return in market confidence.

Charlemagne Capital (IOM) Limited **September 2009**

Consolidated Income Statement

	Note	(Unaudited) For the period from 1 January 2009 to 30 June 2009 €'000	(Unaudited) For the period from 1 January 2008 to 30 June 2008 €'000
Net rent and related income		48	115
Net changes in fair value of financial assets at fair value through profit or loss	10	85	-
Annual management fees	6.3	(657)	(858)
Audit fees	7	(44)	(44)
Legal and professional fees		(92)	(349)
Directors’ fees	13	(45)	(45)
Administration fees		(35)	(35)
Other operating expenses		(231)	(102)
Administrative expenses		(1,104)	(1,433)
Net operating loss before net financing income		(971)	(1,318)
Financial income		629	1,712
Financial expenses		(2)	-
Net financing income		627	1,712
Share of (loss)/profit of equity accounted investees	8	(963)	64
Impairment in value of equity accounted investees	8	(47)	-
Impairment in value of third party loans	6.4	(267)	-
(Loss)/profit before tax		(1,621)	458
Income tax expense		-	-
Retained (loss)/profit for the year		**(1,621)**	**458**
Basic and diluted (loss)/earnings per share (€)	11	**(0.0168)**	**0.0046**

The Directors consider that all results derive from continuing activities.

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

Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Period 1 January 2009 to 30 June 2009 US$'000	(Unaudited) Period 1 January 2008 to 30 June 2008 US$'000
(Loss)/profit for the period		(1,621)	458
Other comprehensive income			
Currency translation differences		(5)	-
Total comprehensive (loss)/income for the period		(1,626)	458

Consolidated Balance Sheet

	Note	(Unaudited) At 30 June 2009 €'000	(Audited) At 31 December 2008 €'000
Investment in equity accounted investees	8	49,071	41,540
Loans to third parties	6.4	-	-
Property, plant and equipment		2	3
Total non-current assets		**49,073**	**41,543**
Loans to third parties	6.4	507	500
Financial assets at fair value through profit or loss	10	-	9,959
Trade and other receivables		41	66
Cash and cash equivalents		20,661	20,131
Total current assets		**21,209**	**30,656**
Total assets		**70,282**	**72,199**
Issued share capital	9	72,412	73,308
Share premium		9,841	9,146
Foreign currency translation reserve		7	12
Retained losses		(12,540)	(10,919)
Total equity		**69,720**	**71,547**
Trade and other payables	12	562	652
Total current liabilities		**562**	**652**
Total liabilities		**562**	**652**
Total equity & liabilities		**70,282**	**72,199**

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 1 January 2008	80,983	6,431	-	(1,739)	85,675
Profit for the period	-	-	-	458	458
Other comprehensive income					
Foreign exchange translation differences	-	-	-	-	-
Total comprehensive income	-	-	-	458	458
Shares cancelled following market purchases/transfer to capital redemption reserve	(1,544)	(135)	-	-	(1,679)
Total transactions with owners in the period	**(1,544)**	**(135)**	**-**	**-**	**(1,679)**
Balance at 30 June 2008	**79,439**	**6,296**	**-**	**(1,281)**	**84,454**

Balance at 1 January 2008	80,983	6,431	-	(1,739)	85,675
Loss for the year	-	-	-	(9,180)	(9,180)
Other comprehensive income					
Foreign exchange translation differences	-	-	12	-	12
Total comprehensive loss	-	-	12	(9,180)	(9,168)
Shares cancelled following market purchases	(7,675)	2,715	-	-	(4,960)
Total transactions with owners in the year	**(7,675)**	**2,715**	**-**	**-**	**(4,960)**
Balance at 31 December 2008	**73,308**	**9,146**	**12**	**(10,919)**	**71,547**

Balance at 1 January 2009	73,308	9,146	12	(10,919)	71,547
Loss for the period	-	-	-	(1,621)	(1,621)
Other comprehensive loss					
Foreign exchange translation differences	-	-	(5)	-	(5)
Total comprehensive loss	-	-	(5)	(1,621)	(1,626)
Shares cancelled following market purchases	(896)	695	-	-	(201)
Total transactions with owners in the period	**(896)**	**695**	**-**	**-**	**(201)**
Balance at 30 June 2009	**72,412**	**9,841**	**7**	**(12,540)**	**69,720**

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

Consolidated Cash Flow Statement

	Note	(Unaudited) For the period from 1 January 2009 to 30 June 2009 €'000	(Unaudited) For the period from 1 January 2008 to 30 June 2008 €'000
Operating activities			
Group (loss)/profit for the year		(1,621)	458
Adjustments for:			
Net changes in fair value on financial assets at fair value through profit or loss		(85)	-
Financial income		(675)	(1,712)
Impairment in value of third party loans		314	-
Share of loss/(profit) of equity accounted investees		963	(64)
Operating loss before changes in working capital		**(1,104)**	**(1,318)**
Decrease/(Increase) in trade and other receivables		25	(37)
Decrease in trade and other payables		(96)	(25)
Cash used in operations		**(1,175)**	**(1,380)**
Financial income received		675	1,712
Cash flows (used)/generated from operating activities		**(500)**	**332**
Investing activities			
Purchase of treasury bills		(24,956)	-
Maturity of treasury bills		35,000	-
Acquisition of equity accounted investees	8	-	(576)
Increase in loans to equity accounted investees		(8,493)	-
Decrease/(increase) in loans to third parties		(321)	(2,981)
Sale/(purchase) of property, plant & equipment		1	(247)
Cash flows generated from/(used in) investing activities		**1,231**	**(3,804)**
Financing activities			
Purchase of own shares	9	(201)	(1,679)
Cash flows used in financing activities		**(201)**	**(1,679)**
Net increase/(decrease) in cash and cash equivalents		530	(5,151)
Cash and cash equivalents at beginning of period		20,131	41,058
Cash and cash equivalents at end of period		**20,661**	**35,907**

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. On 3 March 2008 the Company was de-registered as an Isle of Man 1931-2004 company and re-registered as a company governed by the Isle of Man Companies Act 2006 with registered number 002391v.

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

2 The Subsidiaries

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

	Country of Incorporation	Percentage of shares held
European Convergence Development (Cayman) Limited	Cayman	100%
Convergence Development (Cyprus) Limited	Cyprus	100%
European Convergence Development (Malta) Limited	Malta	100%
European Real Estate Development Invest SRL	Romania	100%
European Property Acquisitions EOOD	Bulgaria	100%
Asmita Holdings Limited	Cyprus	100%
Baneasea Holdings Limited	Cyprus	100%

3 Joint Ventures ("JV")

The Group as at the date of this document has acquired an interest in the following companies:

	Country of Incorporation	Percentage of shares held
Asmita Gardens SRL	Romania	50%
Cascade Park Plaza SRL	Romania	40%
Convergence Development Invest SRL	Romania	50%
Galleria Plovdiv AD	Bulgaria	50%
Mega Mall Rousse AD	Bulgaria	50%
Trade Centre Sliven EAD	Bulgaria	42.5%
Turgovski Park Kraimorie AD	Bulgaria	70%

Notwithstanding the Group's percentage holdings, the above companies have not been consolidated as the Group's control is restricted by Joint Venture Agreements.

4 Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the group in its consolidated financial statements for the year ended 31 December 2008.

The Interim report of the Company for the period ending 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

4.1 Basis of presentation

European Convergence Development Company plc (the "Company") is a company domiciled in the Isle of Man. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities, and have been prepared in accordance with IAS34 *Interim Financial Reporting*.

These consolidated interim financial statements do not include all the information required for full annual financial statements and so should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

Notes to the Consolidated Financial Statements continued

4.1 Basis of presentation continued

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available upon request from the Company's registered office at Third Floor, Britannia House, St Georges House, Douglas, Isle of Man IM1 1JE.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The Directors consider that the valuation of the Company's investments in equity accounted associates is an area where critical accounting estimates are required. Further detail on the valuation of the investments may be found in note 8.

The activities of the Group are subject to a number of risk factors. The global financial crisis and the deteriorating economic environment in the jurisdictions within which the Group operates have increased the intensity of these risk factors. The future economic outlook presents specific challenges in terms of the significant reduction in the volume of property transactions in the jurisdictions within which the Group operates, the significant reduction in the availability of loan finance for property transactions in those jurisdictions and the consequent impact on the valuations of property held by equity accounted investees.

In the prevailing market conditions, there is a greater degree of uncertainty as to the valuation of assets under construction than that which exists in a more active and stronger market. These factors have adversely impacted the compliance of equity accounted investees with their borrowing covenants and a number of these facilities have been renegotiated, whilst the Group has made additional capital available to certain entities in order that ongoing projects can be completed. Collectively, these factors contribute to a greater degree of uncertainty as to the valuation of holdings in equity accounted investees.

These factors have also impacted on the ability of joint venture partners to repay loans made by the Group and as a result repayment terms for these facilities have been re-negotiated.

The financial statements have been prepared on a going concern basis, taking into account the level of cash and cash equivalents held by the Group and the level of capital commitments to JV entities.

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

4.2 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)

Investments in associates and joint ventures are carried at the lower of cost and net realisable value. 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 Consolidated Financial Statements continued

4.2 Basis of consolidation continued

Associates and joint ventures (equity accounted investees) 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. In particular, borrowing costs related directly to the acquisition or construction of qualifying assets are capitalised.

Investments in joint ventures and associates are kept under review for impairment. Where, in the opinion of the directors, the net realisable value of an investment falls below cost, a provision is made against the investment and charged to the profit and loss account.

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.

4.3 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 2009 (2008: Nil).

4.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

In the current period, the Company repurchased some of its own shares. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by their nominal value. The premium on the repurchased shares was credited to the share premium account.

4.5 Segmental reporting

The Company has one segment focusing on maximising total returns through investing in the property markets of South East Europe. Further analysis of the Group's exposure in this region is provided in note 8. No additional disclosure is required in relation to segment reporting, as the Company's activities are limited to one business and geographic segment.

4.6 Presentation of Financial Statements

The Group applies revised IAS1 Presentation of Financial Statement (2007) which became effective as of 1 January 2009. As a result, the Group presents in a consolidated statement of equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended 30 June 2009.

5 Unaudited Net Asset Value per Share

The unaudited net asset value per share as at 30 June 2009 is €0.7702 (31 December 2008: €0.7808) based on 90,515,470 (31 December 2008: 91,635,470) ordinary shares in issue as at that date.

6 Related Party Transactions

6.1 Directors of the Company

During the year Anderson Whamond was managing director of the Manager and a shareholder of Charlemagne Capital Limited, the parent of the Manager and Placing Agent. Mr Whamond's role with the Manager has changed with effect from 1 April 2009 from executive to non-executive. He continues to act as a Director of the Company. Mr Whamond was also, until 31 March 2009, a director of Charlemagne Capital Limited ("CCL"), the parent of the Manager and Placing Agent. Mr Whamond remains a shareholder of CCL and additionally has an indirect family interest in shares of CCL. There are no service agreements between Mr Whamond and CCL that are not determinable within one year.

Notes to the Consolidated Financial Statements continued

6 Related Party Transactions continued

6.1 Directors of the Company continued

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

A subsidiary company of the Manager holds 125,000 shares of the Company and holds 436,028 shares in Trade Center Sliven (coinvested with the Group and a JV partner). Charlemagne BRIC Plus Property Company plc, an investment company also managed by the Manager, holds 218,014 shares in Trade Center Sliven.

Charlemagne CIS Fund Limited, another investment company also managed by the Manager holds 7,626,320 shares in the Company at 30 June 2009.

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

6.2 Directors of the Subsidiaries

James Houghton is a director 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.

6.3 Manager fees

Annual management fees payable during the period ended 30 June 2009 amounted to €656,662 (2008: €858,352).

Performance fees payable during the period ended 30 June 2009 amounted to € nil (2008: € nil).

6.4 Transactions and balances with Joint Venture companies and partners

The Company has loans to Joint Venture Companies totalling € 38,422,658 (31 December 2008: €33,434,000) and to Joint Venture Partners totalling €507,321 (31 December 2008: €4,400,000). Details of the terms and applicable interest rates for these loans are more fully shown in note 8.

During the previous year, the loan made to the group's partner in the Galleria Plovdiv and Turgovski Park Kraimorie joint ventures, Sienit Holdings, was fully provided. During the current period, interest of €110k was charged on the loan and recognised in the income statement, with a subsequent full provision made against this increase in the balance due.

During the previous year, the loan made to the group's partner in the Convergence Development Invest Srl joint venture, Dickau Investments, was fully provided. During the current period, an amount of €157k comprising increase to the loan balance and interest was debited to the Dickau Investments balance, with a subsequent full provision made against this.

6.5 Intragroup balances

Intragroup balances are repayable on demand and bear interest at commercial rates. Loans to subsidiaries outstanding at the period end have been impaired to fair value.

7 Audit fees

Audit fees payable for the period ended 30 June 2009 amounted to €43,950 (2008: €43,675).

Notes to the Consolidated Financial Statements continued

8 Investment in Equity Accounted Investments

Group	30 June 2009 €'000	31 December 2008 €'000
At beginning of period/year	41,540	39,074
Acquisition of equity accounted investment	-	4,165
Movement in loans treated as equity accounted investment	8,495	3,408
Share of loss of equity accounted investment	(963)	(581)
Write down of value of equity accounted investment	-	(4,526)
Balance at end of year	49,071	41,540

The loans to equity accounted investees are as follows:

Name	Term	Term	Interest Rate	30 June 2009 €'000
Asmita Gardens SRL	36 Months	17 October 2010	6%	13,982
Galleria Plovdiv AD	*	*	0%	13,940
Turgovski Park Kraimorie AD	*	*	0%	9,102

* Loans are due to be repaid after the project sale. Interest is nil until the loan is due for payment. In case of default interest will be charged at a rate of 3M EURIBOR plus 10%.

The carrying values of the Group's equity accounted investments are as follows:-

Name	Value at 30 June 2009 €'000	Value at 31 December 2008 €'000
Asmita Gardens SRL	12,927	8,710
Cascade Park Plaza SRL	6,239	4,982
Convergence Development Invest SRL	-	-
Galleria Plovdiv AD	13,924	11,995
Mega Mall Rousse	4,241	4,141
Trade Centre Sliven EAD	2,616	2,587
Turgovski Park Kraimorie AD	9,124	9,125
	49,071	41,540

The Group's investment in Convergence Development Invest Srl ("CDI") of €3,202k was fully provided at the previous year end. During the current period, additional loans to CDI of €47k were made and this amount should also have been fully provided in the previous year. The main reason for full provision is an inability to the date of this report to obtain development finance for the mortgaged land held by the company. The market value of the land is estimated to be below the value of the mortgage.

As stated in note 4.1, the deterioration of global economic conditions has increased uncertainty surrounding the value of the Group's equity accounted investees.

In the previous period a partial provision of €1,324k was made against the Group's investment in Trade Center Sliven, as the Group estimates that under current market conditions the net realisable value of the investment in the company is lower than cost. It should be noted that due to the lack of recent comparable transactions land valuations are highly subjective. The valuation of the Group's investment represents the Director's best estimate only.

Notes to the Consolidated Financial Statements continued

8 Investment in Equity Accounted Investees continued

The results, assets and liabilities of the equity accounted companies are as follows:

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit/ (Loss)	% interest
		€'000	€'000	€'000	€'000	
Asmita Gardens SRL	Romania	109,494	113,288	-	(1,276	50
Cascade Park Plaza SRL	Romania	25,094	29,723	-	(328)	40
Convergence Development Invest SRL	Romania	25,180	25,537	-	(132)	50
Galleria Plovdiv AD	Bulgaria	65,954	68,998	21	(25)	50
Mega Mall Rousse AD	Bulgaria	17,638	12,344	205	200	50
Trade Centre Sliven EAD	Bulgaria	5,545	30	74	67	42.5
Turgovski Park Kraimorie AD	Bulgaria	12,994	12,983	-	(2)	70

The Shareholders of Asmita Gardens, Cascade Park Plaza, Convergence Development Invest and Galleria Plovdiv have pledged their shareholding as security against the external loans to these companies. The Group's investment in Convergence Development Invest Srl was fully provided for in the Group's accounts for the year ended 31 December 2008.

The figures in the tables above include adjustments made for the purposes of these consolidated financial statements in order to align the accounting policies of the equity accounted investees with those of the Group.

9 Capital and Reserves

Share Capital

	2009 Number	2009 €'000
Ordinary Shares of €0.80 each		
In issue at 01 January 2009	91,635,470	73,308
Shares cancelled during the year	(1,120,000)	(896)
In issue at 30 June 2009	90,515,470	72,412

	2008 Number	2008 €'000
Ordinary Shares of €0.80 each		
In issue at 1 January 2008	101,228,894	80,983
Issued during the year	(9,593,424)	(7,675)
In issue at 31 December 2008	91,635,470	73,308

At incorporation the authorised share capital of the Company was €240 million divided into 300 million Ordinary Shares of €0.80 each.

The Company has bought back 1,120,000 shares for a total consideration of €201,600, an average price per share of €0.18.

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.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board manages the Group's affairs to achieve shareholder returns through capital growth rather than income, and monitors the achievement of this through growth in net asset value per share.

Gearing may be employed by the Group with the aim of enhancing shareholder returns. This would be in the form of bank borrowings, secured on the investment portfolio.

Notes to the Consolidated Financial Statements continued

9 Capital and Reserves continued

Group capital comprises share capital, share premium and reserves.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

No changes were made in respect of the objectives, policies or processes in respect of capital management during the periods ended 30 June 2008 and 2009.

10 Financial assets at fair value through profit or loss

Held for trading

30 June 2009

Security name	Nominal	€'000
None Held	nil	-

31 December 2008

Security name	Nominal	€'000
French Discount T-Bill 0% 19/3/2009	10,000,000	9,959

Net changes in fair value on financial assets at fair value through profit or loss:

	30 June 2009	31 December 2008
	€'000	€'000
Realised	78	74
Unrealised	7	(7)
Total gains	85	67

11 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 year.

	2009	2008
(Loss)/profit attributable to equity holders of the Company (€'000)	(1,624)	458
Weighted average number of ordinary shares in issue (thousands)	96,420	100,137
Basic and diluted (loss)/profit per share (Euro cent per share)	(1.68)	0.46

12 Trade and Other Payables

Group	30 June 2009 €'000	31 December 2008 €'000
Accruals	562	652
Total	562	652

Notes to the Consolidated Financial Statements continued

13 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 €22,500 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 30 June 2009 amounted to €45,000 (2008: €45,000).

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.

14 Fair Value Information

The equity accounted joint venture companies' property developments are carried at the lower of cost and net realisable value. The remainder of the Company's financial assets and financial liabilities at the balance sheet date were stated at fair value.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g., interest rates, volatility, estimated cash flows, etc.) and therefore cannot be determined with precision.

15 Commitments as at the Balance Sheet date

As at the balance sheet date the Group had a commitment to invest a further €2.6 million, held in escrow pending the completion of a number of conditions, by making a further shareholder loan to its associated joint venture company Cascade Park Plaza Srl.

16 Post Balance Sheet Events

On 20 July 2009, the Group announced a further capital commitment of €6.0m as a shareholder loan to its associated joint venture company Galleria Plovdiv

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