ECDC
European Convergence Development Company

EUROPEAN CONVERGENCE DEVELOPMENT COMPANY PLC

Consolidated Interim Report

Six months ended 30 June 2010

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 Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB 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 Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB 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

ECD Management (Cayman) Limited
PO Box 309, Ugland House
Grand Cayman
Cayman Islands
British West Indies

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

Whilst the Company's key developments continue to move towards completion, the period under review and the subsequent period to the date of this report have remained very challenging for the Group and the market as a whole.

I am pleased to announce that the Company's largest Bulgarian shopping mall development, Galleria Plovdiv (53,000 sqm), had a "soft" opening during the period along with its key anchor tenant Carrefour. A hard opening for Galleria Plovdiv is scheduled for the second half of the year with the opening of the Company's other Bulgarian shopping mall development, Mega Mall in Rouse also planned to open around the same time.

In Romania, sales of the apartments at Asmita Gardens are continuing but at a slower pace than originally anticipated. Completion of the second phase of the development is subject to a dispute with the main contractor, Strabag which may result in the Company initiating an arbitration claim. Major building works have been completed on the Cascade Eurotower office development enabling tenants to commence fitting out their respective leased space.

The impact of the global economic crisis, however, continues to be felt in the Eastern European region with preliminary data indicating that Bulgarian GDP fell by 3.6% in the first quarter of 2010 with Romanian GDP also predicted to contract significantly during 2010 especially as the Government has introduced an austerity plan (increasing VAT and reducing salaries of public officials) to meet the requirements of the loans received from the IMF, European Union, World Bank and European Bank.

For the remainder of 2010 and for 2011 the Group will continue to focus on seeking to complete and let up / sell the assets and look to progress plans for those remaining assets currently on hold.

The Board is also continuing to identifying further investment opportunities and subsequent to the period end the Company announced two further investments in Romania; the retail developments in Iasi and Oradea.

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 12 August 2010.

In the previous annual report for the year ended 31 December 2009 (published 28 June 2010) the Company reported that it had taken a prudent view of the value of its investments in the light of the economic environments prevalent in Bulgaria and Romania and made provisions totalling €9.9 million against the carrying value of its investments. The Company will, in conjunction with its external auditors, further review the carrying value of its assets for the upcoming 31 December 2010 annual report which may or may not lead to a further impairment of its investments.

During the period under review, the Group made a loss before tax of €0.9 million. As in previous periods, this is to be expected given the stage in development of its business. The Group should realise income from its investments only after each has been completed and sold.

The resulting unaudited NAV per share at 30 June 2010 was €0.63 per share representing a decrease of €0.01 per share from the previous year end (31 December 2009, €0.64)

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

23 September 2010

Report of the Manager

Company Overview

The total amount now invested/committed by the Company (including the two investments announced after the period end) is €68m 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 had unallocated cash resources of €10.3m as at the balance sheet date, although €1.6m was subsequently committed after the balance sheet date.

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 2010 indicate a NAV per share of €0.63 representing a decrease of €0.01 per share compared to the previous year end.

Following the impairment review of its investments in the 31 December 2009 annual report, the Company will undertake a further review of the carrying value of its investments for the 31 December 2010 annual report.

Bulgaria

Economic Update

The economy remained in a difficult state with mixed macroeconomic signals. On the negative side preliminary data indicate that the Gross Domestic Product (“GDP”) has contracted 3.6% in the first Quarter of 2010 and Foreign Direct Investment (“FDI”) continued to decline during the first four months of the year representing only 0.7% of GDP (3.9% of GDP 2009). On the positive side, unemployment continued its downward trend and registered a third consecutive month of decline falling from a peak of 10.3% in February to 9.5% in May. Exports have gradually increased recording € 4.18 billion in April 2010 against € 3.5 billion for the same period in 2009.

The government's finances compare favourably to other European countries. In the first five months of the year Bulgaria generated a budget deficit of 2% of GDP. Government debt stood at approximately 16% of GDP in May and foreign currency reserves were over 38% of GDP.

Meanwhile, preliminary figures from the Bulgarian National Statistical Institute (“NSI”) indicated that retail sales continue to slow. For the first five months of the year wholesale and retail sales were 12.4% down year on year. Whilst food sales were basically static, sales of consumer electronics, furniture and cars were considerably lower.

Bulgaria - Retail Property

Against a backdrop of difficult market conditions, four large mall schemes with total Gross Lettable Area (“GLA”) of over 200,000 sqm have opened during the first half of the year: Serdika Centre (50,000 sqm) and The Mall (66,000 sqm) both in Sofia, Galleria Plovdiv (50,000 sqm) in Plovdiv, and Grand Mall Varna (50,000 sqm) in Varna. A further 6 to 7 shopping centres are expected to open by the end of the year. Consequently, 2010 is set to be a record year in terms of shopping centre development.

Large and established international brands like P&C from Germany and the Inditex brands from Spain have entered the market by opening their first stores in the new developments in Sofia. However, these brands tend to be extremely cautious preferring to wait and see how they perform before choosing their next expansion move.

Occupier demand is mainly driven by these international brands which are seeking significant discounts on rents. Coupled with the increased supply of retail space and the existence of further space in progress has lead to further downward pressure on rents, shortening of lease contract length, rent concessions like step rents, longer rent-free periods, and turnover rents, as well as landlord fit-out contributions. In the first quarter of 2010 prime shopping centre rents were down around 12.5% on the quarter and regional centres declines were greater.

Report of the Manager continued

The retail investment market has come to a virtual standstill with no significant retail transactions recorded in the first six months of the year. Distressed vendors continue to lower their prices but there is a general reluctance to buy. Shopping Centre yields saw a 100 basis point reduction in the first quarter 2010 to stand at 9.5%.

Rents and capital values are not expected to recover in the near term and little real recovery expected until the second half of 2011.

Bulgarian Assets

Galleria Plovdiv

Following the Carrefour led soft opening in April 2010, 26 retailers representing c. 4,000 sqm (8.4% of total retail GLA) opened shops by the end of June, increasing total commercialisation at the end of June to 37%. This figure is below the Managers' previous expectations and reflects the general difficult retail trading environment existing in Bulgaria. At the end of June a further 32 tenants representing c. 11,500 sqm (c. 25% of total retail GLA) have signed contracts and are expected to fit out and open their units by the end of September. Advance negotiations continue with several other prospective tenants which the Manager expects will result in the Mall being over 70% let by the end of September. It is likely that the successful conclusion of these negotiations will entail the provision of fit-out contributions, for which additional funding may be necessary.

The low levels of occupancy and the temporary rental concessions provided to retailers because the Mall has not let up as quickly as originally envisaged has created short term liquidity issues which may necessitate restructuring of some of the terms with the financing bank and key service providers. The increase in occupancy shall contribute positively to the income stream and aid in overcoming any temporary difficulties.

As a result of the delay in tenants taking over their space and fitting out their units it has been decided to move the official opening back to the end of September.

The Manager is also talking to a local subsidiary of an unrelated UK company to develop and execute secondary income streams which will ultimately benefit the shareholders. It is intended that this opportunity will be outsourced and the costs of operating this business stream will be allocated over the Company's two Bulgarian shopping malls and another Bulgarian Mall also managed by the Manager. This will ensure that the maximum benefit is obtained for shareholders.

Mega Mall Rousse

Opening of the Mall is presently scheduled for early November this year. This delay is partially down to problems in getting the road network completed for the opening and the difficult market conditions that exist in secondary cities in Bulgaria.

It is now apparent that the other retail developments in Rousse have either been put on hold or their opening has being delayed to 2011. This is creating an opportunity for the operator and recent interest shown by retailers in this project has resulted in advance lease negotiations with several key fashion retailers and entertainment anchors.

The Manager's expectation is that on opening the Mall will be around 75% leased.

Bourgas Retail Park & Trade Centre Sliven

There has been no further progress made on these developments since there has been no marked improvement in either the Banking or Retail market conditions.

Report of the Manager continued

Romania

Political & Economic Update

In order to comply with the terms of the €20 billion financial support package from the IMF, European Union, World Bank and European Bank to reduce the budget deficit, the government has had to take certain robust measures. An austerity program was introduced at the start of July. The key measures of this austerity program are:

a) a cut of 25% in wages within the public sector,
b) an increase in value added tax (VAT) from 19% to 24%,
c) a cut in social transfers (excluding pensions) by 15%,
d) a tax of 16% on interest on deposits and luncheon tickets,
e) a cut in current expenses with goods and services in the public sector,
f) redundancies in the public sector.

Initially, the government planned to reduce pensions by 15% but the measure was rejected by the Constitutional Court and it was replaced by the increase in VAT.

Given these measures inflation is forecast to increase from an estimated 4% to around 8%-8.5%. The monetary policy is expected to tighten up by potential increases in the RON reference inter-bank rates, and by a strict liquidity control of the central bank.

The short term indicators suggest that economic activity has most likely improved in the second quarter as compared with the first quarter. The potential quarterly GDP growth rate could be close to 0%-0.5% quarter on quarter over the first half of 2010. However, the austerity measures are forecast to have a negative impact on real disposable income and consumption in the second half of 2010. Given these circumstances, the expected GDP growth projection for 2010 varies depending on sources, at anywhere between 1.5% to 3% contraction.

Romanian Real Estate Market

Residential Property

In line with the slight pickup in economic activity during the second quarter of 2010, there has been an increase in buyer interest levels for the purchase of residential property. The basic parameters remain the same with low bank financing available, low appetite for contracting loans from the buyer side and developers holding out at what seem to be bottom of the market prices.

The Government-launched mortgage support program has been in place since 2009, whereby there was a € 600 million take-up of the € 1 billion allocated. For 2010 the Government allocated a € 700 million package, and this is producing liquidity but at the lower pricing levels of the residential market.

During the reporting period there have been a number of insolvencies and foreclosure procedures on a small number of large scale projects and developers. This will have a limited impact, in the short term, as very few of these projects were completed and ready for delivery. The concern will be if the Banks decide to dispose of these assets at low levels which will give the new owners a pricing advantage.

Office Market

Investors continue to be cautious due to the lack of activity within the local market. There have only been three deals signed in the year so far; GTC increased its share in the City Gate and City Gate Bucharest projects by 15%, estimated to have cost €9.8 million. NEPI exercised its resale option on a small office property and Cinema City bought a small office building for approximately €1.4 million. This lack of activity is due to well performing buildings being held by stable, non-distressed owners. The lack of transactional evidence makes it difficult to forecast prime yields but these are estimated to be around 8.5% to 8.75

Report of the Manager continued

Romanian Assets

Asmita Gardens

Asmita Gardens is a residential development of 758 apartments, being delivered in seven tower blocks in two phases. As at 30 April 2010 the following position was reported:

- Phase 1: 324 apartments. Certified: “Take-over Certificate” (“TOC”) (right to occupy) issued on 7 October 2009, and;
- Phase 2: 434 apartments. Certified: TOC issued on 11 March 2010

The number of completed sales to June 30th 2010 were as follows:

- Of the 269 sales (83%) agreed in Phase 1, 245 have legally completed, and in Phase 2, 19 units have completed of the 96 agreed sales (22%). A number of clients have chosen to relocate between the 2 phases, bringing the Company closer to achieving the target of having a fully sold and occupied Phase 1.
- The project's profile has been improved by the signing of a SPA & Gym operator for 1,500 sqm, as part of the available commercial space on the ground floor levels.

The Manager has worked with the sales team of the Developer to introduce a number of initiatives which appear to have been well received by the market. Since the initiative a total of 16 units were sold up to June 2010 at prices in line with market levels for a quality residential development.

As mentioned in the shareholder updates Strabag Srl had issued a notice of suspension of work which was effective from 21 March 2010. The contractor has since also filed for a fast track Civil Court procedure for enforcing the outstanding payments which was heard on 10 August 2010.

In recognition of the significant counterclaims that the Developer has against Strabag, the Developer took legal advice and called the performance bond of Strabag. Strabag obtained an injunction against this action in the Austrian Courts. An appeal has been filed and an oral hearing was held in Vienna on 28 July. The Austrian Court backed its initial decision and kept the injunction in place. Following this decision the Company is currently evaluating its position.

The Developer has also commenced proceedings for a damages claim in the Romanian Court of Arbitration, which was submitted at the end of July 2010; at the time of the publication of this report the Court has not submitted any rulings in relation to this action.

The financing bank is currently supportive of the Developer's action, and has approved an additional working capital budget meant to cover the projects short term running costs.

Cascade

On 1st March 2010 the Fire Brigade certified the building fit for occupancy enabling tenants to commence fitting out of their respective leased space.

The previously agreed leases to Banca Romaneasca and its two subsidiaries are currently being renegotiated which, if concluded, should result in the Cascade building being 65% let. The Company is also renegotiating its bank facility in the direction of obtaining an effective 12 month grace period on the repayment of capital which will significantly support the cash flow of the Company.

Due to the late take up of space by the current tenants the project is currently requiring additional short term financing. Negotiations are currently underway with the lead bank to find a resolution to this short term funding gap.

Interest in the building is high with a significant number of good quality tenant enquiries which should lead to a satisfactory lease up of the project by year end.

Report of the Manager continued

Baneasa

There have been no significant developments in this project and the Manager and the Partner are continuing discussions with the Bank to identify potential ways of taking the project forward on a profitable basis.

New Investments

The Company is pleased to announce that subsequent to the year end it invested €900,000 into the Era Shopping Park & Iasi Galleria in Iasi, Romania (the "Iasi Project") and €720,000 into the Era Shopping Park & Oradea Galleria in Oradea, Romania (the "Oradea Project").

The Company's investments form part of total investments of €4.50 million (Iasi Project) and €3.5 million (Oradea Project). The balance of the investments will be contributed by the current owner of the project and by another entity managed by the Manager.

The joint venture partner is Argo Capital Partners Fund Limited ("Argo"), a Cayman Islands fund investing in high yield investment opportunities in specified Emerging Market economies. The development manager, Omilos Group, is an established operator in the Romanian market having developed Phase I of the Iasi Project and a similar development in Oradea

Iasi

Iasi is based in North-Eastern Romania and is a principal secondary city of Romania with a core population of circa 400,000 and a wider catchment area in excess of 1.1 million. It has a GDP per capita at 133% of the Romanian national average.

The Company will be investing in the second phase of an existing established retail scheme and benefiting from the strong cash flows already being generated from the first phase.

Phase I of the development opened in September 2007 with a Gross Build Area of 52,000 sqm and Gross Lettable Area of 45,950 sqm. It is 97% let and generates substantial rental income. The project is anchored by Carrefour, Praktiker, Altex MG, Mobexpert and Decathlon (to be built).

Phase II of the retail scheme consists of 40,000 sqm Gross Build Area and 28,500 sqm of Gross Lettable Area with an estimated build completion in the latter half of 2011.

Oradea

Oradea is in north-western Romania, close to the Hungarian border. It is traditionally a prosperous city with GDP per Capita at 150% of the Romanian average.

The Company will be investing in the second phase of an existing established retail scheme and benefiting from the existing cash flows already being generated from the first phase.

Phase I has a Gross Build Area of 39,000 sqm, with a Gross Lettable Area of 23,100 sqm which opened in 2008 and generates substantial rental income. The project is anchored by Carrefour, Bricostore and Mobexpert (to be built).Phase II consists of 39,000 sqm Gross Build Area and 23,100 sqm of Gross Lettable Area with an estimated build completion in Quarter 4 2010, and a planned opening date of the first Quarter of 2011.

[The Manager will continue to evaluate investment opportunities which meet the Company's objectives and demonstrate solid fundamentals and strong returns for shareholders]

Charlemagne Capital (IOM) Limited

23 September 2010

Consolidated Income Statement

	Note	(Unaudited) For the period from 1 January 2010 to 30 June 2010 €'000	(Unaudited) For the period from 1 January 2009 to 30 June 2009 €'000
Net rent and related income		-	48
Net changes in fair value of financial assets at fair value through profit or loss	10	-	85
Annual management fees	6.3	(574)	(657)
Audit fees	7	(32)	(44)
Legal and professional fees		(30)	(92)
Directors' fees	13	(51)	(45)
Administration fees		(29)	(35)
Other operating expenses		(234)	(231)
Administrative expenses		(950)	(1,104)
Net operating loss before net financing income		(950)	(971)
Financial income		10	629
Financial expenses		-	(2)
Net financing income		10	627
Share of loss of equity accounted investees	8	(73)	(963)
Uplift/(impairment) in value of equity accounted investees	8	109	(47)
Impairment in value of third party loans	6.4	-	(267)
Loss before tax		(904)	(1,621)
Income tax expense		(1)	-
Retained loss for the year		**(905)**	**(1,621)**
Basic and diluted loss per share (€)	11	**(0.0100)**	**(0.0168)**

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 2010 to 30 June 2010 US$'000	(Unaudited) Period 1 January 2009 to 30 June 2009 US$'000
Loss for the period		(905)	(1,621)
Other comprehensive income			
Currency translation differences		8	(5)
Total comprehensive loss for the period		(897)	(1,626)

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

Consolidated Balance Sheet

	Note	(Unaudited) At 30 June 2010 €'000	(Audited) At 31 December 2009 €'000
Investment in equity accounted investees	8	47,582	45,149
Loans to third parties	6.4	-	-
Property, plant and equipment		1	2
Total non-current assets		**47,583**	**45,151**
Loans to third parties	6.4	345	359
Financial assets at fair value through profit or loss	10	-	-
Trade and other receivables		98	123
Cash and cash equivalents		10,345	13,511
Total current assets		**10,788**	**13,993**
Total assets		**58,371**	**59,144**
Issued share capital	9	72,412	72,412
Share premium		9,841	9,841
Foreign currency translation reserve		16	8
Retained losses		(24,828)	(23,923)
Total equity		**57,441**	**58,338**
Trade and other payables	12	930	806
Total current liabilities		**930**	**806**
Total liabilities		**930**	**806**
Total equity & liabilities		**58,371**	**59,144**

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 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**
Balance at 1 January 2009	73,308	9,146	12	(10,919)	71,547
Loss for the year	-	-	-	(13,004)	(13,004)
Other comprehensive loss					
Foreign exchange translation differences	-	-	(4)	-	(4)
Total comprehensive loss	-	-	(4)	(13,004)	(13,008)
Shares cancelled following market purchases	(896)	695	-	-	(201)
Total transactions with owners in the year	**(896)**	**695**	**-**	**-**	**(201)**
Balance at 31 December 2009	**72,412**	**9,841**	**8**	**(23,923)**	**58,338**
Balance at 1 January 2010	72,412	9,841	8	(23,923)	58,338
Loss for the period	-	-	-	(905)	(905)
Other comprehensive loss					
Foreign exchange translation differences	-	-	8	-	8
Total comprehensive loss	-	-	8	(905)	(897)
Balance at 30 June 2010	**72,412**	**9,841**	**16**	**(24,828)**	**57,441**

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

Consolidated Cash Flow Statement

	Note	(Unaudited) For the period from 1 January 2010 to 30 June 2010 €'000	(Unaudited) For the period from 1 January 2009 to 30 June 2009 €'000
Operating activities			
Group loss for the year		(905)	(1,621)
Adjustments for:			
Net changes in fair value on financial assets at fair value through profit or loss		-	(85)
Financial income		(9)	(675)
(Uplift)/impairment in value of third party loans		(109)	314
Share of loss of equity accounted investees		73	963
Operating loss before changes in working capital		**(950)**	**(1,104)**
Decrease in trade and other receivables		25	25
Decrease/(increase) in trade and other payables		133	(96)
Cash used in operations		**(792)**	**(1,175)**
Financial income received		10	675
Cash flows used from operating activities		**(782)**	**(500)**
Investing activities			
Purchase of treasury bills		-	(24,956)
Maturity of treasury bills		-	35,000
Increase in loans to equity accounted investees		(2,397)	(8,493)
Decrease/(increase) in loans to third parties		12	(321)
Sale of property, plant & equipment		1	1
Cash flows (used in)/generated from investing activities		**(2,384)**	**1,231**
Financing activities			
Purchase of own shares	9	-	(201)
Cash flows used in financing activities			**(201)**
Net (decrease)/increase in cash and cash equivalents		(3,166)	530
Cash and cash equivalents at beginning of period		13,511	20,131
Cash and cash equivalents at end of period		**10,345**	**20,661**

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%
ECD Management (Cayman) Limited	Cayman	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%
NEF3 (IOM) 1 Limited *	Isle of Man	55%
NEF3 (IOM) 3 Limited *	Isle of Man	55%

* These holdings were acquired in September 2010 as part of the Iasi and Oradea developments referred to in the Report of the Manager.

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 2009.

The Interim report of the Company for the period ending 30 June 2010 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 2010 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*.

Notes to the Consolidated Financial Statements continued

4.1 Basis of presentation continued

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 2009.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 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

Notes to the Consolidated Financial Statements continued

Basis of consolidation continued

Associates and joint ventures (equity accounted investees) continued

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. 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 2010 (2009: 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 2010.

5 Unaudited Net Asset Value per Share

The unaudited net asset value per share as at 30 June 2010 is €0.6346 (31 December 2009: €0.6445) based on 90,515,470 (31 December 2009: 90,515,470) ordinary shares in issue as at that date.

Notes to the Consolidated Financial Statements continued

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.

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 2010.

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 2010 amounted to €574,046 (2009: €656,662).

Performance fees payable during the period ended 30 June 2010 amounted to € nil (2009: € nil).

6.4 Transactions and balances with Joint Venture companies and partners

The Company has loans to Joint Venture Companies totalling €50,914,584 (31 December 2009: €48,518,000) and to Joint Venture Partners totalling €4,510,403 (31 December 2009: €4,525,000). Details of the terms and applicable interest rates for these loans are more fully shown in note 8.

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 2010 amounted to €31,542 (2009: €43,950).

Notes to the Consolidated Financial Statements continued

8 Investment in Equity Accounted Investments

Group	30 June 2010 €'000	31 December 2009 €'000
At beginning of period/year	45,149	41,540
Acquisition of equity accounted investment	-	-
Movement in loans treated as equity accounted investment	2,397	15,085
Share of loss of equity accounted investment	(73)	(1,555)
Uplift/(Write down) of value of equity accounted investment	109	(9,921)
Balance at end of year	47,582	45,149

The loans to equity accounted investees are as follows:

Name	Term	Term	Interest Rate	30 June 2010 €'000
Asmita Gardens SRL	*	31 December 2012	6%	14,370
Galleria Plovdiv AD	*	*	0%**	20,000
Convergence Development				3,444
Cascade	*	*	***	4,000
Turgovski Park Kraimorie AD	*	*	0%**	9,101

* 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%.
*** Interest is nil, but in return for the provision of the loan, the Group is entitled to be paid a penalty at an Internal Rate of Return equating to 20% by the Group's partner in Cascade.

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

Name	Value at 30 June 2010 €'000	Value at 31 December 2009 €'000
Asmita Gardens SRL	8,000	8,000
Cascade Park Plaza SRL	8,710	8,612
Galleria Plovdiv AD	20,021	17,711
Mega Mall Rousse	4,038	4,018
Trade Centre Sliven EAD	2,239	2,234
Turgovski Park Kraimorie AD	4,574	4,574
	47,582	45,149

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 further provision of €425k 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	104,683	114,124	15,912	44	50
Cascade Park Plaza SRL	Romania	34,187	38,946	1,020	244	40
Convergence Development Invest SRL	Romania	6,071	-	-	-	50
Galleria Plovdiv AD	Bulgaria	76,624	63,318	5,019	(283)	50
Mega Mall Rousse AD	Bulgaria	23,010	(17,923)	203	247	50
Trade Centre Sliven EAD	Bulgaria	5,623	(6)	26	(144)	42.5
Turgovski Park Kraimorie AD	Bulgaria	13,043	(13,032)	-	(37)	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

	2010 Number	2010 €'000
Ordinary Shares of €0.80 each		
In issue at 01 January 2010	90,515,470	72,412
Shares cancelled during the year	-	-
In issue at 30 June 2010	90,515,470	72,412

	2009 Number	2009 €'000
Ordinary Shares of €0.80 each		
In issue at 1 January 2009	91,635,470	73,308
Issued during the year	(1,120,000)	(896)
In issue at 31 December 2009	90,515,470	72,412

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.

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 2009 and 2010.

10 Financial assets at fair value through profit or loss

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

	30 June 2010	31 December 2009
	€'000	€'000
Realised	-	78
Unrealised	-	7
Total gains	-	85

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.

	2010	2009
Loss attributable to equity holders of the Company (€'000)	(905)	(1,621)
Weighted average number of ordinary shares in issue (thousands)	90,515	96,420
Basic and diluted (loss)/profit per share (Euro cent per share)	(1.00)	(1.68)

12 Trade and Other Payables

Group	30 June 2010 €'000	31 December 2009 €'000
Withholding tax	-	146
Trade creditors	23	22
Accruals	907	638
Total	930	806

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 2010 amounted to €50,814 (2009: €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

At the balance sheet date the Group had no outstanding commitments.

16 Post Balance Sheet Events

Since the period end the Group has incorporated another subsidiary company: European Convergence Development Management (Cayman) Limited.

In September the Group announced two additional investments in Romania; €900,000 into the Isai development and a further €720,000 into the Oradea development. Both these developments are referred to in detail in the Report of the Manager.