European Convergence Development Company

EUROPEAN CONVERGENCE DEVELOPMENT COMPANY PLC

Consolidated Interim Report

Six months ended 30 June 2014

ISIN No. GB00B1BJRB27

CONTENTS

Management and Administration

Directors * independent	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	Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB 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 One New Change London EC4M 9AF United Kingdom
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	Greystone LLC Talbot Chambers, 18 Athol Street Douglas Isle of Man IM1 1AJ British Isles
Legal Advisers	*As to Isle of Man Law* Cains Advocates Limited Fort Anne Douglas Isle of Man IM1 5PD British Isles *As to English Law* Stephenson Harwood 1 Finsbury Circus London EC2M 7SH 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 Office 11, Floor 5 103 Gotze Detchev Blvd Strelbishte Neighbourhood Triaditza Region Sofia 1404 Bulgaria

Management and Administration continued

Subsidiaries continued

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

European Property Development Corporation SRL
69-71 Soseaua Bucuresti-Ploiesti
2nd Floor, Room No. 24
Sector 1
Bucharest
Romania

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

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

Joint Ventures

Asmita Gardens SRL
App 2003, 20th Floor, Block T6
42 Gladitei Street
4th District
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

Management and Administration continued

Joint Ventures continued

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

NEF3 (IOM) 1 Limited
St Mary's Court
Douglas
Isle of Man Im1 1EU
British Isles

NEF3 (IOM) 2 Limited
St Mary's Court
20 Hill Street
Douglas
Isle of Man IM1 1EU
British Isles

NEF3 (IOM) 3 Limited
St Mary's Court
20 Hill Street
Douglas
Isle of Man IM1 1EU
British Isles

Chairman's Statement continued

Financial Performance

The Report and Accounts of European Convergence Development Company PLC (ECDC) set out the financial performance for the half-year ending 30 June, 2014, along with the ongoing development and management of its commercial assets.

The unaudited NAV per share at the 30 June, 2014 was €0.2833 (31 December 2013:€0.2883) a reduction of € 0.0050 per share.

The Consolidated Income Statement for the year to 30 June, 2014 indicates a loss attributable to equity shareholders of € 0.005 per share (31 December 2013: €0.0131).

Dividend

The Board of Directors resolved not to pay a dividend but retain the funds within the company to protect its current investments.

Shareholder Circular

Further to the Company's 2014 annual general meeting held on 6 August 2014 and the subsequent adjournment of that meeting, the Directors decided that it was in the best interests of the Company and its Shareholders to call an Extraordinary General Meeting for the purpose of (i) considering the cancellation of the Company's Ordinary Shares to admission to trading on AIM; and (ii) the adoption of a proposed New Investing Policy so that no investments in new real estate projects or assets are made and to seek to exit all existing Properties as soon as practicable, market permitting. Full details were laid out in the Shareholder circular dated 10 September 2014, including proposed revised terms for the Investment Manager to align its interests with that of the Shareholders.

Should the shareholders vote to delist the Company's shares from AIM, the Directors and the Manager are committed to issuing regular updates to keep shareholders fully informed in respect of the new Policy

Following the half year accounting date, the Company was successful in selling its equity holding in the project Trade Centre Sliven to the local partner in the project for a cash settlement which equates to the carrying value in the Annual Report and Accounts for the year ended 31 December 2013.

Anderson Whamond
Chairman

23 September 2014

Report of the Manager

Economic Overview

Romania
At June 2014 GDP growth in the first half of the year was 2.4% in unadjusted terms in comparison to the same period in 2013 and 2.6% seasonally adjusted. GDP growth in Q2 suffered with a quarter-on-quarter (qoq) decline of 1.0% (1.2% year-on-year), well below the market consensus and maybe a reflection of wider issues within the European Union. The full year forecasts are still expected to show one of the best growth rates within the EU but growth forecasts are being revised downwards from 3.5% to closer to 3.0%, although this is reliant upon a strong performance from the agricultural sector. The only sectors to indicate growth in Q2 were agriculture (+2.6% qoq) and government consumption (1.5% qoq) most others indicated strong declines.

Annual headline inflation fell from 0.9% in May to 0.7% in June, which marked the lowest rate on record. Inflation continues below the Central Bank's tolerance margin of plus/minus 1.0% around its target of 2.5%. Annual average inflation fell from 2.2% in May to a record low of 1.8% in June driven by a 0.27% decline in consumer prices over the previous month, which was below the virtually flat reading observed in May reflecting lower prices for food and services. However, inflation is expected to pick up through to the end of the year with the Central bank's forecast of out turn inflation at the end of 2014 of 3.0%.

At the Monetary Policy Committee meeting on 1 July, the Central Bank maintained the policy rate at the record low of 3.5% for the third consecutive meeting, but lowered the reserve requirements for foreign currency deposits from 18% to 16% . Expectations that the Central Bank will restart the key rate cutting cycle in the autumn are building but the impact of a cut in interest rates on money market interest rates and RON yields for T-securities should be limited, as current levels are already consistent with a level of the monetary policy rate of around 2.75-3.00%.

Search for yields fuelled by the new monetary policy easing measures announced by the European Central Bank and by dovish comments of the Federal Reserve officials had a positive impact on prices of RON assets. Prices for RON T-securities increased further in June, extending gains from April-May, while the RON outperformed its regional peers.
Romanian authorities and the IMF team have yet to reach an agreement on a new Letter of Intent following the review from June and talks will continue until the next review due in November. Meanwhile, the Parliament passed a law enabling the government to reduce social security contributions paid by employers by 5%, starting October.

Bulgaria
Against a backdrop of up and coming preliminary elections, a lower credit rating and the worst run on banks since the introduction of the currency board, Bulgaria successfully issued a package of ten year government securities in the amount of € 1.5 billion with an average yield of 3.05%.

Political parties in Bulgaria agreed to hold early parliamentary elections in early October 2014.

International rating agency Standard & Poor cut the credit rating of Bulgaria by one notch to BBB- as the political situation in the country poses risks to the achievement of many urgent reforms.

In the last two weeks of June Bulgarians witnessed unsuccessful attempts at destabilizing the Bulgarian banking system. The Central Bank stepped in to support one of the largest local banks, KTB, after more than 20% of its deposits were withdrawn in one week. This led to other banks facing large withdrawals including First Investment Bank which faced the withdrawal of US$550 million within hours. The bank stayed open after assurances from the Government of support. The Central Bank took over the management of KTB on 20th June and was intending to recapitalize and nationalize part of the bank so that it could reopen in mid-July. However, Parliament rejected the US$1.7 billion bailout and approaches have been made to some of the shareholders, including the Oman sovereign wealth fund to help save KTB. The fund holds a 30% stake in the bank. The Bulgarian authorities also announced in July that they would seek a review by the European Banking Authority. The country has also asked to join the European Union's Single Supervisory Mechanism, which was set up in response to the Continent's debt crisis and would make Bulgaria the first country outside the 18-country euro zone to join the mechanism under which its banks would be overseen by the European Central Bank.

Report of the Manager continued

The Bulgarian economy registered GDP growth of 1.6% in Q2 following 1.2% growth in Q1 when compared to the same quarters in 2013. On a quarterly basis growth was 0.3% in Q1 and 0.5% in Q2 driven by increasing exports, relatively strong growth in manufacturing and consumption which increased 2.5% in Q2.

The unemployment rate at June 2014 returned to its December 2013 closing position of 11.4% following the creation of almost 100,000 jobs during Q2 however, the economy registered an eleventh consecutive month of deflation in June 2014 which has continued though to August. Prices declined 1.9% compared to the same month in 2013 whilst on a month on month basis prices declined 0.4% driven down by lower prices across most sectors.

Government debt accounted for 18.7% of GDP, including domestic debt at 9% of GDP and external debt at 9.7% of GDP, which still compares favorably to most European Union countries and contributed to the recent successful placement of government securities.

Property Market Overview

Romania

Office

In the first half of 2014 office supply in Bucharest grew by approximately 80,000 sqm which took the overall stock to 2.2 million sqm. In Q2 only two new office buildings were delivered totalling 41,500 sqm with a further 70,000 sqm to be delivered in the second half of the year. This additional growth is represented, in the main by two major buildings, City Offices and Green Court.

Recent activity has been concentrated in the Floreasca – Barbu Vacarescu corridor but new areas in the central western and southern regions of Bucharest are emerging as new business areas located within densly populated residential areas.The overall vacancy rate in Bucharest is estimated to between 14.7% and 15.0%. It is important to highlight the considerable differences that can exist between one district and another from as low as 10% in the Centre-North and Westwest to 35% in Pipera North and Baneasa. It is also important to differentiate between the propoerty class with Class A buildings registering less than 9% vacancy whereas Class B is over 18%.

The first six months of 2014 represented a period of steadily increasing tenant interest especially in new buildings. The total take up in the period was almost 130,000 sqm of which net take up was in the region of 55,000 sqm. Relocations from competitive stock represented 32% of overall market activity whilst renegotiations represented 25%. The biggest transactions in the period were represented by Vodaphone, 16,000 sqm in Bucharest One, the letting of 13,700 sqm to Orange in Green Court and the renegotiaion of 8,000 sqm let to Volksbank in Nusco Tower. The majority of the major transactions were in the North area, in particular the Barbu Vaconescu corridor followeded by the West and then CBD. ITC and Telecom companies were the most active with financial and professional services just behind.

Prime headline rents remained unchanged over the last 12 months at €18.00 to €18.50 per sqm per month. Incentive packages have remained stable, with landlords offering both rent free periods and fit out contributions, though there is some evidence that the packages are tightening. As always it depends on the letting market in a particular district that will drive the incentive packages offered. Lease incentive packages are more attractive for lease requirements exceeding 2,000-3,000 sqm for existing buildings.

Transaction levels recorded in the first six months of the year are estimated at €430 million,€337 million in Q1, a record for this part of the year and €95 million in Q2, 53% higher than the same period in 2013. Almost half of this activity was represented by transactions undertaken by Globalworth with the acquisitions of Tower Centere International, BOC and BOB and the upmarket residential project Upground. Office transactions accounted for around 70% of total transactions.

The market has been dominated by Globalworth and NEPI ther are a larger number of investors looking to enter the market with Secure Property, Development and Investments entering the market with its first acquisition, the industrial prioperty Industrial Park and Vitantis Shopping Centre in Bucharest purchased by Revetas Capital from Equest. Yields in the office market remain in the 8% region though the interest shown in the market may result in some yield compression over the remainder of 2014.

Report of the Manager continued

Retail

There were no notable new developments coming onto the market in the first half of the year and only two new shopping centres are planned to be delivered by the end of 2014 and both by NEPI: Vulcan Centre (35,000sqm) in Bucharest and Shopping City Targu Jiu (27,000sqm) in Targu Jiu. Total modern retail in Bucharest is estimated at 0.9 million sqm and 1.7 million sqm in the rest of the country.

In Q2 the most noteable transaction in the sector for many years was the purchase by Auchan of a portfolio of 12 hypermarkets and the associated shopping galeries, which Auchan were occupying as a tenant for an estimated EUR 280m.

Rent for both prime shopping centers increased to 60-70 EUR/sqm per month showing the first signs of recovery. Rental levels for high street retail remained at €55-65/sqm/month. The highest rents are currently being achieved in Baneasa Shopping City and AFI Palace Cotroceni which are considered the two most dominant retail schemes in Bucharest and Romania.

The pipeline for 2015 is set to increase to 150,000 sqm in areas that are currently lacking major shopping centres.

Bulgaria Retail

During Q2 2014, Mall Panorama Pleven with a GLA of 17,000 sqm opened to the public which increased the GLA of operational shopping malls to slightly over 750,000 sqm. As previously reported three projects in Sofia are currently under construction and will provide an additional 120,000 sqm later this year. These openings will increase modern retail space per 1,000 inhabitants to approximately 120 sqm compared to 250 sqm for Europe as a whole and 200 sqm for CEE.

Occupancy in shopping centers in Bulgaria is still below satisfactory levels. Vacancy in Sofia decreased to 10% from 12% registered at the beginning of the year. The average rental levels for modern retail space in the country did not improve during the first half of the year - average rents in Sofia stabilized at €21 per sqm per month in Q1 2014, while brokers reported prime rents in secondary cities to have remained in the region of €12-16 per sqm per month.

The first half of 2014 registered some activity on the investment market in the retail sector. Two large international retail chains were bought by local investors: Belgian Delhaize Group sold its Piccadilly stores to AP Mart and the German company Praktiker sold its Bulgarian division to Videolux Holding. City Center Sofia was acquired by Revetas Capital Recovery Fund for an undisclosed amount which was the first major retail transaction since 2011.

Development Projects Romania

Cascade

Currently the building is fully leased generating positive cash flow after meeting all its financial obligations from an operational and banking point of view. All financial obligations are up to date with no collection delays on the revenues side.

The additional short term loan contracted two years ago for covering the settlement agreement with one of the subcontractors was fully repaid by the end of April further improving the profile of the asset.

Oradea and Iasi Shopping Centres

Following the notice for repayment issued by the Company with respect to the investments in Oradea and Iasi, the Manager is currently in negotiations over a possible restructuring of the repayment.

Argo Real Estate Opportunities Fund (AREOF)

AREOF announced that it was delisting its shares from AIM with effect from March 3rd 2014. The main reason given was the complexity of the loan restructuring and bank negotiations were not conducive and made it very difficult to meet the public reporting requirements and that this was not to the benefit of the shareholders and may hinder the current bank renegotiations that AREOF is undertaking.

Report of the Manager continued

The Ukrainian situation is proving to be stressful on the performance of the Odessa asset. The local currency has seen a continuous and abrupt devaluation, putting pressure on both general consumption and the asset's cash flow going forward.

The Group Company and Manager to the Group have initiated a restructuring process, whereby it has downsized a significant portion of the staff in an attempt to contain operating costs. A full restructuring process has been started also at the level of the management structure of the Odessa asset.

Oradea Shopping Centre

Following the entering into insolvency of the local SPV, the Lenders agreed to enter into judicial administration in the best interest of Omilos Oradea, its creditors and its stakeholders. The Consortium of judicial administrators, formed by V.F. Insolventa and TZA were appointed to observe the activity of the company.

The increase in traffic registered in 2013 continued at a similar pace in Q2. The improvement reported by Carrefour continued, but still the main anchor tenants are refusing to accept any rent indexation. The gallery, which is in front of Carrefour, recorded additional traffic due to the sustained marketing activities performed by the SPV.

Current Leasing rate of the asset stands at close to 91% overall, with the gallery and food court being 75% leased. No additional leasing activity has been recorded in Q2 2014.

The bank loan had already been accelerated prior to Omilos Oradea entering into judicial administration. The first creditors meeting has been held and an independent valuation of the shopping centre asset has recently been obtained and will form the basis of a reorganization plan to be drawn up for presentation to and voting on by the creditors.
The company is now exempt from paying loan interest and other finance costs.

Iasi Shopping Centre

Visitor numbers and the average sales have continued to improve year on year throughout Q2, if somewhat lower than anticipated. Mobexpert's store is performing well with consistent increases in sales, currently ranked number 3 in their national network. Praktiker continues to struggle despite the recent change of ownership, because of fluctuations in stock and changes in personnel. The new owners have requested a rent reduction from all landlords for the next two years in order to assist in the recapitalization of the business. After an attempted litigation process with the tenant, a negotiation process has been started with the target to allow the rents to be temporarily set at more sustainable levels.
At the end of June the Centre was 95% let whilst the gallery and food court are trading at 70% occupancy. Leasing is proving to be challenging especially in the new extension and at the same time competition from retailers closer to the centre of the town are having a detrimental effect on discussions with potential tenants. Unit availability within 3 town centre schemes represents significant competition to Iasi and this is unlikely to change in the immediate future. The situation would improve if ongoing negotiations with some additional anchor tenants could be finalized.

All terms negotiated with the syndicate of lending banks for further development finance have been put on hold for the last few months due to the issues affecting Bank of Cyprus in Romania and the future of the Oradea scheme which is funded by the same syndicate of banks. As the Bank of Cyprus was due to provide the majority of the debt facility for Iasi, there is a continuing risk that construction debt finance.

Galleria Plovdiv

The occupancy at the end of Q2 dropped by 1 % down to 57.65 % compared to the end of Q1. Replacing tenants continues to be challenging as it requires a reputable property manager, a credible strategy and, in line with market requirements, an injection of new funds to pay for fitting out contributions. None of these conditions have been in place which, as previously noted has resulted in initial negotiations with several prospective international tenants stalling and an inability to sign a formal agreement with the key supermarket anchor.

Report of the Manager continued

As previously reported, the Bank nominated a property investment company which undertook a full scope due diligence on the scheme and reported to the Bank's management at the end of May. The shareholders were verbally informed by the Bank that the key findings confirmed that the turnaround of the business would necessitate the further investment of new funds to redesign certain parts of the Mall, to facilitate tenant mix redevelopment and to finance fitting out contributions to attract quality brands. The report was basically in line with the report presented by the Manager to the bank in April 2013. Following the due diligence report, the Bank held several meetings with representatives of the shareholders and discussions are ongoing.

As previously reported, the former technical manager continued to carry out rudimentary and oversee day to day activities. With the current occupancy, tenant mix and the rent and service charge collection rate, the Mall covered its core operating costs but was unable to meet tax obligations in full. A lack of cash flow means that there can be little or no marketing support, no investment in proper building maintenance and certainly no fitting-out contributions to attract new tenants. Both footfall and turnover of shops continued to decline during the period. It is highly likely that the mall will suffer during Q3 as this is traditionally a difficult time for retailers in Plovdiv.

The Manager is of the opinion that the market value of the asset is considerably less than the current Bank debt and without the ongoing support of the Bank the Mall would be unable to continue its business.

Mega Mall Rousse

The building was closed in April 2014 as the operating company could not meet essential operating costs from the rent and service charge. At the time the bank was not willing to support the building and shareholders were not prepared to support the project without support from the bank.

Further to the Bank's application for insolvency against Mega Mall Rousse at the beginning of the year and in addition to the appointment of a temporary receiver, the Court imposed some additional security measures: the appointment of a security company to guard the closed building and the sealing of all entrances. The first court hearing of the insolvency case was originally scheduled for the end of May but was later postponed to the beginning of July 2014 and then postponed again until the end of September 2014.

Trade Centre Sliven

After the period end the Company sold its entire holding in Trade Centre Sliven, representing 42.5% of Trade Centre Sliven for a cash consideration of €1,699,298 to Property Capital Group AD. This represented a profit on the carrying value as at 31 December 2013 of €22,298. In addition the loan to Property Capital Group AD of €91,426 was also repaid in full.

Bourgas Retail Park

There has been no further progress made with this site as it is very much linked to the developments in Plovdiv.

Charlemagne Capital (IOM) Limited

23 September 2014

Consolidated Income Statement

	Note	(Unaudited) Period from 1 January 2014 to 30 June 2014 €'000	(Unaudited) Period from 1 January 2013 to 30 June 2013 €'000
Net rent and related income			-
Annual management fees	6.3	(256)	(242)
Audit fees	7	(32)	(37)
Legal and professional fees		(20)	(32)
Directors' fees	13	(36)	(36)
Administration fees		(29)	(29)
Other operating expenses		(103)	(138)
Administrative expenses		(476)	(514)
Net operating loss before net financing income		(476)	(514)
Financial income		8	5
Financial expenses		-	-
Net financing income		8	5
Share of gain of equity accounted investees	8		288
Impairment in value of equity accounted investees	8	-	(265)
Uplift in value of equity accounted investees	8	22	710
Profit before tax		(446)	224
Income tax expense		(1)	(1)
Retained Profit for the period		**(447)**	**223**
Basic and diluted gain per share (€)	11	**(0.0050)**	**0.0025**

The Directors consider that all results derive from continuing activities.

Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Period 1 January 2013 to 30 June 2013 €'000	(Unaudited) Period 1 January 2012 to 30 June 2012 €'000
Profit for the period		(447)	223
Other comprehensive income			
Currency translation differences		(4)	10
Total comprehensive profit for the period		(451)	233

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

Consolidated Statement of Financial Position

	Note	(Unaudited) At 30 June 2014 €'000	(Audited) At 31 December 2013 €'000
Investment in equity accounted investees	8	22,858	22,836
Property, plant and equipment		-	-
Total non-current assets		**22,858**	**22,836**
Loans to third parties	6.4	92	90
Trade and other receivables		55	50
Cash and cash equivalents		2,586	3,065
Total current assets		**2,733**	**3,205**
Total assets		**25,591**	**26,041**
Issued share capital	10	71,564	71,564
Share premium		10,654	10,654
Foreign currency translation reserve		13	17
Retained losses		(56,891)	(56,444)
Total equity		**25,340**	**25,791**
Trade and other payables	12	251	250
Total current liabilities		**251**	**250**
Total liabilities		**251**	**250**
Total equity & liabilities		**25,591**	**26,041**

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 2013	71,644	10,577	4	(55,272)	26,953
Gain for the period	-	-	-	223	223
Other comprehensive gain					
Foreign exchange translation differences	-	-	10	-	10
Total comprehensive gain	-	-	10	223	233
Shares cancelled following market purchases	(80)	77	-	-	(3)
Total transactions with owners in the year	(80)	77	-	-	(3)
Balance at 30 June 2013	**71,564**	**10,654**	**14**	**(55,049)**	**27,183**

Balance at 1 January 2013	71,644	10,577	4	(55,272)	26,953
Loss for the year	-	-	-	(1,172)	(1,172)
Other comprehensive loss					
Foreign exchange translation differences	-	-	13	-	13
Total comprehensive loss	-	-	13	(1,172)	(1,159)
Shares cancelled following market purchases	(80)	77	-	-	(3)
Total transactions with owners in the year	**(80)**	**77**	**-**	**-**	**(3)**
Balance at 31 December 2013	**71,564**	**10,654**	**17**	**(56,444)**	**25,791**

Balance at 1 January 2014	71,564	10,654	17	(56,444)	25,791
Loss for the period	-	-	-	(447)	(447)
Other comprehensive gain					
Foreign exchange translation differences	-	-	(4)	-	(4)
Total comprehensive gain	-	-	(4)	(447)	(447)
Shares cancelled following market purchases	-	-	-	-	-
Total transactions with owners in the year	-	-	-	-	-
Balance at 30 June 2014	**71,564**	**10,654**	**13**	**(56,891)**	**25,340**

Consolidated Cash Flow Statement

	Note	(Unaudited) For the period from 1 January 2014 to 30 June 2014 €'000	(Unaudited) For the period from 1 January 2013 to 30 June 2013 €'000
Operating activities			
Group loss for the period		(447)	223
Adjustments for:			
Financial income		(8)	(5)
Income tax expense		1	1
Uplift in value of third party loans			
Share of profit of equity accounted investees		-	(288)
Net uplift in value of equity accounted investees		(22)	(445)
Operating loss before changes in working capital		**(476)**	**(514)**
(Increase)/decrease in trade and other receivables		(5)	5
Decrease in trade and other payables		-	(39)
Cash used in operations		**(481)**	**(548)**
Financial income received		8	5
Tax paid		(1)	(1)
Cash flows used from operating activities		**(474)**	**(544)**
Investing activities			
Increase in loans to equity accounted investees		-	(23)
Acquisition of equity accounted investees		-	-
(Increase)/decrease in loans to third parties		(2)	243
Currency Translation Difference		(3)	10
Cash flows (used in)/generated from investing activities		**(5)**	**230**
Financing activities			
Purchase of own shares	10	-	(3)
Dividend received		-	200
Cash flows used in financing activities		**-**	**197**
Net decrease in cash and cash equivalents		(479)	(117)
Cash and cash equivalents at beginning of period		3,065	3,677
Cash and cash equivalents at end of period		**2,586**	**3,560**

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 Property Development Corporation SRL	Romania	100%
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%
RD 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	39%
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) 2 Limited	Isle of Man	55%
NEF3 (IOM) 3 Limited	Isle of Man	55%

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 2013.

The Interim report of the Company for the period ending 30 June 2014 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 2014 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 2013.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available upon request from the Company's registered office at Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, or on website at address www.europeanconvergencedevelopment.com.

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.

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

4.2 Basis of consolidation continued

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 2014 (2013: 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.

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 2013.

5 Unaudited Net Asset Value per Share

The unaudited net asset value per share as at 30 June 2014 is €0.2833 (31 December 2013: €0.2883) based on 89,455,470 (31 December 2013: 89,555,470) 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

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

A subsidiary company of the Manager, Charlemagne Capital (Investments) Limited, holds 125,000 shares of the Company and holds 356,751 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. The total holdings in Trade Center Sliven held by European Convergence Development Company Limited and Charlemagne BRIC Property Company PLC were sold after this period of accounts.

The Templeton World Charity investment company also managed by the Manager, holds 1,981,359 in the Company at 30 June 2014.

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

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.

6.2 Directors of the Subsidiaries

Certain directors of the Manager have been appointed as directors of some of the subsidiaries. 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 2014 amounted to €256,157 (2013: €242,079).

Performance fees payable during the period ended 30 June 2014 amounted to € nil (2013: € nil).

6.4 Transactions and balances with Joint Venture companies and partners

The Company has loans to Joint Venture Companies totalling €46,228,543 (31 December 2013: €45,732,000) and to Joint Venture Partners totalling €6,324,214 (31 December 2013: €6,116,000). Details of the terms and applicable interest rates for these loans are more fully shown in note 8 and 9.

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 2014 amounted to €32,206 (2013: €37,178).

Notes to the Consolidated Financial Statements continued

8 Investment in Equity Accounted Investments

Group	30 June 2014 €'000	31 December 2013 €'000
At beginning of period/year	22,836	23,185
Dividend received	-	(199)
Recovery in loans to investments	-	29
Share of gain of equity accounted investment		102
Net (impairment)/uplift on value of equity accounted investments	22	(281)
Balance at end of period/year	22,858	22,836

The loans to equity accounted investees before deduction of provisions are as follows:

Name	Term	Term	Interest Rate	30 June 2014 €'000
Asmita Gardens SRL****	*	*	6%	17,833
Galleria Plovdiv AD	*	*	0%**	10,000
Convergence Development Invest SRL				4,707
Cascade Park Plaza SRL	*	*	***	4,510
Turgovski Park Kraimorie AD	*	*	0%**	9,179

* 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.
**** This company is in administration.

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

Name	Value at 30 June 2014 €'000	Value at 31 December 2013 €'000
Cascade Park Plaza SRL	18,137	17,285
Galleria Plovdiv AD	1,500	1,500
Trade Centre Sliven EAD	1,699	1,677
Turgovski Park Kraimorie AD	1,863	1,863
NEF3 (IOM) 1 Limited*	-	-
NEF3 (IOM) 2 Limited*	568	511
NEF3 (IOM) 3 Limited*	-	-
General Provision	(909)	-
	22,858	22,836

* held directly by the Company.

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	
Cascade Park Plaza SRL	Romania	52,271	(39,346)	2,506	846	39
Trade Centre Sliven EAD	Bulgaria	5,486	(10)	13	7	42.5
Turgovski Park Kraimorie AD	Bulgaria	4,160	(13,264)	-	(4)	70
NEF3 (IOM) 1 Limited *	Isle of Man	9	(48)	-	(2)	55
NEF3 (IOM) 2 Limited	Isle of Man	4,405	(484)	496	381	55
NEF3 (IOM) 3 Limited	Isle of Man	4	(57)	-	(2)	55

*The results and balances for NEF(IOM) 1 Ltd shown above only include amounts in respect of those investments which ECDC has an interest in.

The Shareholders Cascade Park Plaza and Galleria Plovdiv have pledged their shareholding as security against the external loans to these companies.

The figures in the tables above do not 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.

NEF3 (IOM) 2 Limited which is controlled by European Convergence Development Plc also has a 2% holding in Cascade Park Plaza.

9 Loans to third parties

Loans to third parties of the Group include loans to Joint Venture Partners as follows:

30 June 2014 Name	Term	Maturity Date	Interest Rate	Amount €'000
Sienit Holding AD*	Overdue	Overdue	EURIBOR plus 5%, plus 10% penalty interest	2,531
Property Capital Group**	Overdue	Overdue	EURIBOR plus 5%	92
Dickau Investments Limited***	Overdue	Overdue	10%	3,701

* Sienit Holding AD is the Group's joint venture partner in Galleria Plovdiv AD and Turgovski Park Kraimorie AD. The loan is overdue for repayment and in 2008 the Group deemed it prudent to provide for the loan in full.

**Property Capital Group is the Group's joint venture partner in Trade Center Sliven EAD. This loan has been fully recovered after the period end

***Dickau Investments Limited ("Dickau") is the Group's joint venture partner in Convergence Development Invest Srl ('CDI'). The above loan was provided to Dickau as part of the Group's package of investment in CDI, and, as a result of the Group's decision to fully provide against the Group's investment in CDI in 2008, the Group also considered it prudent to retain full provision for the loan to Dickau.

31 December 2013 Name	Term	Maturity Date	Interest Rate	Amount €'000
Sienit Holding AD*	Overdue	Overdue	EURIBOR plus 5%, plus 10% penalty interest	2,430
Property Capital Group**	Overdue	Overdue	EURIBOR plus 5%	90
Dickau Investments Limited***	Overdue	Overdue	10%	3,596

Notes to the Consolidated Financial Statements continued

10 Capital and Reserves

Share Capital

	2014 Number	2014 €'000
Ordinary Shares of €0.80 each		
In issue at 01 January 2014	89,455,470	71,564
Shares cancelled during the period	-	-
In issue at 30 June 2014	89,455,470	71,564

	2013 Number	2013 €'000
Ordinary Shares of €0.80 each		
In issue at 1 January 2013	89,555,470	71,644
Shares cancelled during the year	(100,000)	(80)
In issue at 31 December 2013	89,455,470	71,564

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.

As stated in Note 15 an Extraordinary General Meeting has been called on 2 October 2014 to consider changes to the investment policy of the group.

10 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 2013 and 2014.

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.

	2014	2013
(Loss)/profit attributable to equity holders of the Company (€'000)	(447)	223
Weighted average number of ordinary shares in issue (thousands)	89,455	89,457
Basic and diluted (loss)/profit per share (Euro cent per share)	(0.50)	0.25

Notes to the Consolidated Financial Statements continued

12 Trade and Other Payables

Group	30 June 2014 €'000	31 December 2013 €'000
Withholding tax	6	6
Trade creditors	34	44
Accruals	211	200
Total	251	250

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 2014 amounted to €36,000 (2013: €36,000).

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

After the period end the Company sold its entire holding in Trade Centre Sliven, representing 42.5% of Trade Centre Sliven for a cash consideration of €1,699,298 to Property Capital Group AD. This represented an profit on the carrying value as at 31 December 2013 of €22,298. In addition the loan to Property Capital Group AD of €91,426 was also repaid in full.

Notice has been given of an Extraordinary General Meeting on 2 October 2014 to consider changing the accounting policy of the group and vote on the cancellation of the Groups admission to trading on AIM.