ECPC

European Convergence Property Company

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

Consolidated Interim Report

Period from 1 June 2005 (date of incorporation) to 31 December 2005

ISIN No. GB00B0B7ZC68

Management and Administration

Directors	Erwin Brunner (Non-executive Chairman) James C. Rosapepe (Non-executive Director) Donald C. McCrickard (Non-executive Director) Anderson A. Whamond (Non-executive Director) all of the registered office below
Registered Office	Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Manager	Charlemagne Capital (IOM) Limited Regent House, 16-18 Ridgeway Street Douglas Isle of Man IM1 1EN British Isles
Nominated Adviser and Broker	Panmure Gordon & Co Moorgate Hall 155 Moorgate London EC2M 6XB United Kingdom
Cash Custodian	Anglo Irish Bank Corporation (I.O.M.) P.L.C. Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Anglo Irish Fund Services Limited Victoria Street Douglas Isle of Man IM1 2SH British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN British Isles

Management and Administration continued

Subsidiaries' and Registered Office

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

European Convergence Property Company
(Malta) Limited
48 Sqaq Nru 2
Triq ix-Xatt
Pieta MSD08
Malta

ECPC (Cyprus) Limited
27 Pindarou Street, 2/F
Alpha Business Centre
PC1060 Nicosia
Cyprus

European Convergence Property Company
Real Estate Trading and Management Limited
Buyukdere Cad.
Alba Ishami No. 67/71
K:6 Mecidiyekoy
Istanbul
Turkey

European Convergence Property Company
Bulgaria EOOD
37 Fridtjof Nansen Street
Sredets Region
Sofia 1142
Bulgaria

Orange Convergence Finance BV
Atrium
7th Floor, Strawinskylaan 3105
1077 ZX
Amsterdam
The Netherlands

European Convergence Property Com SRL
Calea Serban Voda No. 133
Building A, Ground Floor, Room No. 3
Sector 4
Bucharest
Romania

Report of the Manager

Property Investment Environment

The year of 2005 witnessed a compression in yields on the back of lower than anticipated liquidity. The Company's target markets have been characterised by strong capital flows seeking higher risk-adjusted returns than those available in Western countries. This weight of investment capital has driven capitalisation rates for A grade office property in Romania from 10.0% at the end of 2004 to 8.5% at the end of 2005. Office yields in Bulgaria are currently in the range of 9.0%. In Turkey, sellers' expectations for single property acquisitions range from 7.5% - 8.5% but we are not aware of any transactions that have been concluded recently. Yield compression in all three markets however seems to have stabilised as investors wait for additional developments to come on to the market.

The trend towards lower capitalisation rates has been accompanied by tightening credit spreads as several banks have become increasingly aggressive in the property market in Romania and Bulgaria. Intensifying competition combined with a perceived decline of sovereign risk have caused spreads to tighten from around 300 basis points above EURIBOR (as at 28 June 2005) to near-150 basis point spreads currently. This has meant that leveraged cash flows available to investors are largely similar to those available 12 months ago.

Most transactions finalised in the second half of 2005 were forward contracts entered into or negotiated during the first half of the year. In Romania, there were five office transactions above €15 million which either did not fit the Company's investment criteria, or, represented risks not appropriately compensated by the yield and terms at which closing would have been achievable. In Sofia, there was one major mixed-use development transaction which constituted part of a multi-national portfolio and was completed by the end of the summer. Turkey demonstrated its appeal as a destination where large institutional investors are able to complete large institutional deals. Most of these transactions have been in retail and of at least €100 million size. The office sector has not been as active for investors given that vacancy rates are relatively high and that there is little institutional grade product available.

As a result of changing investment market conditions, the Company's investment program is currently 3 to 5 months behind the planned timetable, although the Company's subsidiary infrastructure is now in place and ready to support those investments as they come on-stream.

During the second half of 2005, we successfully negotiated the Company's first acquisition of its investment programme. The property, known as PGV Tower, is located in central Bucharest and was acquired for €24 million. It is expected that the property will generate a projected running yield of over 10% (after all expenses and taxes on the net equity contribution). PGV Tower, completed in 2003, consists of two adjoining towers, one of six floors and a second of fourteen floors. PGV Tower is the head office of Postbank, the EFG-Eurobank owned Romanian banking group. Postbank and other EFG related companies account for 86% of the revenue and 93% of the 9,989 sqm of net lettable area. This acquisition was completed in February 2006.

Several projects fitting the Company's investment criteria will be delivered over the next 3-9 months as better funded domestic developers engage in larger projects and international developers take notice of the opportunities available in the target pre-accession countries.

Looking forward, within Romania and Bulgaria, we currently have several pipeline investments at varying stages of negotiation that have a combined value in excess of €210 million. In addition, the pipeline includes projects that are not at sufficient development stages to warrant active negotiation but could reach such a stage in the near future. While not all pipeline projects will reach investment completion, we are comfortable with the depth of opportunities available to the Company. In Turkey, US$-based funding costs have increased notably following the US Federal Reserve's monetary policy tightening and we are not currently involved in any investment negotiations. We continue to monitor prices actively and should an opportunity arise, we will seek to make additions to the portfolio.

Report of the Manager continued

Property Market Conditions

Romania

Office and retail space supply in Bucharest remains restricted as a result of little land availability. Several office developments have started or are ready to be delivered in peripheral areas but will be outweighed by demand over the next 1-3 years, thereby resulting in stable to slightly increasing rents which are now at around €17.5 / m^2. Almost all quality developments will be fully leased before completion indicating the excess demand prevalent in the market. In the retail category, there continues to be only four malls (of at least 15,000 m^2) in the whole of Bucharest, none of which are currently for sale. Existing shopping centres have a zero vacancy rate and owners are enjoying long waiting lists for space. Rents are very high and range from €80 – €120 for the best centre to €40 – €60 for the least desirable one. Two shopping centres are expected to be delivered on the Bucharest market during 2006.

Bulgaria

Supply of quality office premises has been increasing at a measured pace in Sofia. Similarly to Bucharest, there is a lack of suitable land for development in the core of the city and as a result, new office construction has been concentrated in peripheral areas. Demand for Class A office space continues to outweigh supply but the excess is much lower than that experienced in Bucharest. Average Class A office rents hover around a €13.5 / m^2 and although they have been experiencing a gradual decline over the last 3 years, they have now stabilised and are exhibiting a slight tendency to increase. On the retail side, there is one shopping centre that is expected to begin trading at the end of the summer and will bring the total shopping centres in the city to three.

Turkey

In Istanbul, high quality office buildings continue to be scarce and supply consists mostly of older developments. In addition, since debt financing was historically very expensive or not available, developers financed projects with partial presales and now a large stock of offices is characterised by multi-ownership. The retail sector has been much more attractive and exciting, although the only shopping centres that have become available for sale are regional and super-regional centres of at least €100 million value. Major shopping centres are enjoying near 100% occupancy and high rents of about US$80 / m^2 for medium and small units.

Charlemagne Capital (IOM) Limited

22 March 2006

Consolidated Income Statement

Expressed in Euros	Note	For the period from 1 June 2005 (date of incorporation) to 31 December 2005 €'000
Net rental and related income		-
Net valuation gains on investment property		-
Administrative expenses		(3,793)
Net other income		653
Profit/(loss) before tax		(3,140)
Taxation	11	-
Profit/(loss) after tax		-
Dividends	1, 3.7	-
Retained Profit/(loss) for the period		**(3,140)**
Basic and diluted earnings per share (€)	4	**(0.0501)**

Consolidated Balance Sheet

Expressed in Euros	Note	At 31 December 2005
		€'000
Investment property		-
Property, plant and equipment		-
Total non-current assets		**-**
Trade and other receivables		25
Cash and cash equivalents		59,780
Total current assets		**59,805**
Bank overdraft		-
Interest bearing loans and borrowings		-
Trade and other payables	3.8, 8	249
Provisions		-
Total current liabilities		249
Net current assets		**59,556**
Net assets		**59,556**
Issued share capital	7	62,696
Retained earnings		(3,140)
Total equity		**59,556**

Consolidated Cash Flow Statement

Expressed in Euros	Note	For the period from 1June 2005 (date of incorporation) to 31 December 2005 €'000
Operating activities		
Group operating loss		(3,140)
Net other income		(653)
Adjustments for non cash items		-
Operating profit before changes in working capital and provisions		**(3,793)**
Increase in trade and other receivables		(25)
Increase in trade and other payables	3.8, 8	249
Cash used in operations		**(3,569)**
Interest received		653
Interest paid		-
Income and Corporation tax paid		-
Cash flows from operating activities		**(2,916)**
Cash flows from investing activities		-
Financing activities		
Proceeds from the issue of ordinary share capital	7	62,696
Repayment of long term loans		-
Net cash inflow from financing		**62,696**
Increase in cash in the period		**59,780**
Cash and cash equivalents at 1 June 2005		**-**
Cash and cash equivalents at 31 December 2005		**59,780**

Notes to the Consolidated Financial Statements

1 The Company

European Convergence Property Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 1 June 2005 as a public company with registered number 113616C. Pursuant to the Articles of Association of the Company, Shareholders will be given the opportunity to vote on the life of the Company after approximately 7 years.

Pursuant to a prospectus dated 15 June 2005 there was an original placing of up to 100,000,000 Ordinary Shares the closing date of which was 24 June 2005. Pursuant to the placing, 62,696,333 Shares were issued.

The Shares of the Company were admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") on 28 June 2005 when dealings also commenced.

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

Duration
At the annual general meeting of the Company to be held in 2012, the Directors are obligated to propose an ordinary resolution that the Company ceases to continue in existence. If the resolution is not passed then it shall be proposed at every fifth annual general meeting thereafter. If the resolution is passed then the Directors shall, within 3 months after the date of the resolution, put forward proposals to shareholders to the effect that the Company be wound up, liquidated, reorganised or unitised.

Dividend Policy
The Directors anticipate that in respect of any 12 month accounting period they will recommend the payment as a dividend of substantially all of the Company's net profits (excluding profits arising from unrealised gains). The Directors may pay half-yearly interim dividends if they believe that the financial position of the Company justifies it. If the Company's funds are fully invested, the Directors may be required to re-invest some of the Company's profits into the maintenance of the Company's property portfolio. Debt amortisation payments may cause actual dividends to be less than net profits.

Property Valuation Policy
The Directors intend to appoint an internationally recognised firm of surveyors as property valuers within 12 months of Admission. It is the Directors' intention that approximately half of the Company's property portfolio will receive a valuation from the Company's appointed property valuer in each annual financial period.

Financial Year End
The financial year end of the Company is 30 June in each year. For the financial year ending 30 June 2006 AIM has agreed that the Company will present financial statements covering in effect, a 13 month period since incorporation.

2 The Subsidiaries

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

European Convergence Property Company (Cayman) Limited ("ECPC Cayman")
ECPC Cayman was incorporated in the Cayman Islands on 10 May 2005 under the provisions of The Companies Law (2004 Revision), Cap 22 as a limited liability company (registration number MC-148905). ECPC Cayman has an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. 1 share was transferred to Charlemagne Capital (IOM) Limited on 20 June 2005 by the subscriber such share being subsequently transferred to European Convergence Property Company plc on 29 June 2005. The Directors of ECPC Cayman are James Houghton (appointed 14 June 2005) and Malcolm Sargeant (appointed 2 November 2005). Adrian Jones (appointed 14 June 2005) resigned as a director on 2 November 2005.

Notes to the Consolidated Financial Statements continued

European Convergence Property Company (Malta) Limited ("ECPC Malta")
ECPC Malta was incorporated in Malta on 13 July 2005 under the provisions of Section 77 of the Companies Act 1995 as a limited liability company (registration number C36620). The company has an authorised share capital of €10,000 divided into 10,000 shares of €1 each. 1,199 shares were issued to European Convergence Property Company (Cayman) Limited (the direct parent) and 1 share was issued to Osiris Corporate Services Ltd by the subscriber on 13 July 2005 and 17 July 2005, respectively. The Directors of ECPC Malta are James Houghton, Stuart Blackburn and Joseph Fenech (each appointed 13 July 2005) and Malcolm Sargeant (appointed 2 November 2005). Adrian Jones (appointed 13 July 2005) resigned as a director on 2 November 2005.

ECPC (Cyprus) Limited ("ECPC Cyprus")
ECPC Cyprus was incorporated in Cyprus on 2 August 2005 under the provisions of the Companies Law, Cap. 113 as a limited liability company (registration number HE-163865). The company was incorporated with an authorised share capital of €1,000 divided into 1,000 shares of €1 each. 2 shares were transferred to European Convergence Property Company (Cayman) Limited (the company's direct parent) by the subscriber on 2 August 2005. On 8 February 2006 the authorised share capital was increased to €120,000 with the creation of a further 119,998 shares of €1 each. 119,998 Shares were issued to European Convergence Property Company (Cayman) Limited who now holds 120,000 shares. The Directors of ECPC Cyprus are James Houghton, Koulla Antoniadou, Arlene Nahikian and Costas Christoforou (all appointed 3 August 2005) and Malcolm Sargeant (appointed 2 November 2005). Adrian Jones (appointed 3 August 2005) resigned as a director on 2 November 2005.

European Convergence Property Real Estate Trading and Management Limited ("ECPC Turkey")
ECPC Turkey was incorporated in Turkey on 2 September 2005 under the provisions of the Turkish Commercial Code as a limited liability company (registration number 563709/511290). The company has an authorised share capital of YTL 5,000 (New Turkish Lira) divided into 200 shares of YTL 25 each. 133 shares were issued to European Convergence Property Company (Cayman) Limited (the company's direct parent) and 67 shares were issued to James Houghton on 2 September 2005. The Directors of ECPC Turkey are James Houghton (appointed 2 September 2005) and Malcolm Sargeant (appointed 2 November 2005 subject to registration with the Turkish authorities). Adrian Jones (appointed 2 September 2005) resigned as a director on 2 November 2005 subject to de-registration with the Turkish authorities.

Orange Convergence Finance BV ("ECPC Netherlands")
ECPC Netherlands was incorporated in The Netherlands on 23 September 2005 under the provisions of the Dutch Law as a limited liability company (registration number 34233659). The company has an authorised share capital of €90,000 divided into 90,000 shares of €1 each. 18,000 shares were issued to ECPC (Cyprus) Limited (the company's direct parent) on 23 September 2005. The Directors of ECPC Netherlands are James Houghton, Malcolm Sargeant, Equity Trust Co. NV and Clear Management Company NV (appointed 23 September 2005).

European Convergence Property Company Bulgaria EOOD ("ECPC Bulgaria")
ECPC Bulgaria was incorporated in Bulgaria on 27 September 2005 under the provisions of the Bulgarian Law as a limited liability company (registration number 10512/2005). The company has an authorised share capital of BGN 5,000 divided into 5,000 shares of BGN 1 each. 5,000 shares were issued to European Convergence Property Company (Malta) Limited (the company's direct parent) on 27 September 2005. The Directors of ECPC Bulgaria are James Houghton (appointed 27 September 2005) and Malcolm Sargeant (appointed 12 December 2005 subject to registration with the Bulgarian authorities). Adrian Jones (appointed 27 September 2005) resigned as a director of the company on 2 November 2005 subject to de-registration by the Bulgarian authorities.

European Convergence Property Com. SRL ("ECPC Romania")
ECPC Romania was incorporated in Romania on 4 October 2005 under the provisions of the Companies Law No. 31/1990 as a limited liability company (registration number J/40/16665/4, Sole Code of Registration number 18009959). The company has an authorised share capital of RON 200 divided into 20 shares of RON 10 each. 20 shares were issued; 1 share to James Houghton and 19 shares to ECPC (Cyprus) Limited (the company's direct parent) on 4 October 2005. The Directors of ECPC Romania are James Houghton (appointed 4 October 2005) and Malcolm Sargeant (appointed 24 February 2006). Adrian Jones (appointed 4 October 2005) resigned as a director of the company on 2 November 2005.

Notes to the Consolidated Financial Statements continued

3 Significant Accounting Policies

European Convergence Property Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 1 June 2005 as a public company with registered number 113616C. The interim report of the Company for the half year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “Group”).

The interim report was compiled by the Administrator and Registrar and authorised for issue by the Directors on 22 March 2006.

3.1 Basis of presentation

The interim report has been prepared in accordance with the same accounting policies which will be used for the annual financial statements. The annual financial statements will be prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IFRS"). Management has concluded that the interim report fairly represents the entity’s financial position, financial performance and cash flows.

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

3.2 Foreign currency translation

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

3.3 Deposit interest

Deposit interest is accounted for on an accruals basis

3.4 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash deposited with banks, cash balances at brokers and bank overdraft.

3.5 Revenue and expense recognition

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

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

3.6 Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

3.7 Dividends

Dividends are recognised as a liability in the year in which they are declared and approved. There was no interim dividend declared as at 31 December 2005.

Notes to the Consolidated Financial Statements continued

3.8 Trade and other payables
Trade and other payables are stated at their cost.

4 Net Asset Value per Share

The net asset value per share as at 31 December 2005 is €0.9535 based on 62,696,333 ordinary shares in issue as at that date.

5 Related Party Transactions

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

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

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

5.3 Manager fees

Annual fees
The Manager is entitled to an annual management fee of 1.25% of the net asset value of the Company from time to time plus borrowings of the group, payable quarterly in arrears.

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

Annual management fees paid during the period ended 31 December 2005 amounted to €409,791.

Performance fees
The Manager is entitled to a performance fee equal to 15% of the total profits generated by the Company. In order for the performance fee to be payable, the Company must firstly have returned to its Shareholders an amount equal to the amount subscribed pursuant to the Placing (ignoring any initial charge paid by Shareholders). Thereafter the Manager shall be entitled to 15% of any further distributions of profit or capital. In determining amounts paid to Shareholders and the amount payable to the Manager pursuant to the performance fee full account will be taken of any dividends paid, other distributions made and distributions made on a winding up of the Company. In the event that Shareholders vote for the Company to continue at the annual general meeting in 2012, the Manager shall be entitled to be paid a performance fee in accordance with the following provisions. Within one month of the relevant annual general meeting, the Company and the Manager shall agree the net asset value of the Company as at close of business on the date of the annual general meeting and in the absence of agreement the matter shall be determined by the Company's auditors.

The Manager shall be entitled to an amount equal to 15% of Z where Z equals Y minus X and Y equals the net asset value of the Company at the close of business on the date of annual general meeting plus an amount equal to the total payments made to Shareholders since Admission and X equals the amount subscribed by Shareholders pursuant to the Placing.

Notes to the Consolidated Financial Statements continued

Z shall then form the benchmark net asset value for the Company going forward and the Manager shall thereafter be entitled to an annual performance fee equal to 15% of any excess of W over Z where W is the net asset value of the Company as at the last business day of each subsequent financial year of the Company plus an amount equal to the total amount of distributions paid and made to Shareholders during the relevant financial period. If any further performance fee is paid by reference to W in this formula, then this shall set a high watermark benchmark going forward for the next financial year of the Company.

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

Performance fees paid during the period ended 31 December 2005 amounted to € Nil.

5.4 Placing Agent

In accordance with the terms of the Placing, the Placing Agent was entitled to charge investors an initial charge of up to 3% of the value of their investment. The Placing Agent was also entitled to receive from the Company an amount equal to 4% of the amount raised by the Placing Agent on behalf of the Company.

Placing fees paid by the Company during the period ending 31 December 2005 amounted to €2,507,853.

6 Charges and Fees

6.1 Nominated Adviser and Broker fees

Pursuant to the Placing and in its capacity as AIM Sponsor, the Nominated Adviser and Broker was entitled to receive a fee of £75,000. The payment of this fee was conditional upon admission of the Company's Shares to AIM taking place on or before 28 June 2005 or such later date as may have been agreed.

As nominated adviser and broker to the Company for the purposes of the AIM Rules, the Nominated Advisor and Broker is entitled to receive an annual fee of £30,000.

Advisory fees paid to the Nominated Advisor and Broker for the period ending 31 December 2005 amounted to €131,058.

6.2 Custodian fees

The Custodian is entitled to receive fees calculated as 1 basis point per annum of the value of the debt securities held on behalf of the Company, subject to a minimum monthly fee of €500, payable quarterly in arrears.

The Custodian expects to review and, subject to written agreement between the Company and the Custodian, may amend the foregoing fees six months after Admission and annually thereafter.

Custodian fees paid for the period ending 31 December 2005 amounted to €3,500.

6.3 Administrator and Registrar fees

The Administrator is entitled to receive a fee of 4 basis points of the net assets of the Company plus borrowings, subject to a minimum monthly fee of €5,000, payable quarterly in arrears.

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

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

Notes to the Consolidated Financial Statements continued

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

The Administrator expects to review and, subject to written agreement between the Company and the Administrator, may amend the foregoing fees six months after Admission and annually thereafter.

Administration fees paid for the period ending 31 December 2005 amounted to €38,937.

6.4 Other operating expenses

It is anticipated that the costs of managing any properties in the Company's investment portfolio will be satisfied out of the service charges generated by tenants. However, to the extent that this is not the case, all such costs, to include the costs of all other third party service providers, shall be chargeable to and payable by the Company.

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

6.5 Preliminary (formation) expenses

The estimated total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, the costs of printing and the other fees payable including commission payable to the Placing Agent) was approximated to equal 4.5% of the gross amount raised. The actual total amount of preliminary expenses paid was €2,886,625 representing 4.60% of the gross amount raised.

7 Share Capital

Ordinary Shares of €1.00 each	Number	€
In issue at the start of the period	-	-
Issued during the period	62,696,333	62,696,333
In issue at 31 December 2005	62,696,333	62,696,333

At incorporation the authorised share capital of the Company was €300 million divided into 300 million Ordinary Shares of €1.00 each.

8 Trade and Other Payables

	31 December 2005 €
Legal and professional fees	-
Manager annual fees	188,227
Custodian fees	1,150
Administrator and Registrar fees	16,875
Directors fees	22,500
Audit fees	14,583
Other	5,908
Total	249,243

Notes to the Consolidated Financial Statements continued

9 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 31 December 2005:

USD	1.1844
GBP	0.6884

10 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 to 31 December 2005 amounted to €52,500.

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.

11 Taxation

Isle of Man
The Company has received confirmation of tax exempt status from the Assessor of Income Tax in the Isle of Man for the year of assessment ending 5 April 2006. The effect of tax exempt status is that the Company will have no liability to Manx income tax on its income or gains and that there will be no requirement to deduct withholding tax from payments of dividends to shareholders. The current annual fee for tax exempt status is £475. With effect from 6 April 2006 the general tax rate for companies in the Isle of Man is zero per cent. As such the Company does not intend to renew its tax exempt status for the 2006/07 year of assessment.

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

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

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

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