ECPC

European Convergence Property Company

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(Incorporated in the Isle of Man)

Consolidated Annual Report

30 June 2008

ISIN No. GB00B0B7ZC68

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
Manager	Charlemagne Capital (IOM) Limited St Mary's Court, 20 Hill Street Douglas Isle of Man IM1 1EU British Isles
Nominated Adviser and Broker	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB United Kingdom
Cash Custodian	Anglo Irish Bank Corporation (I.O.M.) P.L.C. Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Galileo Fund Services Limited Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN British Isles

Management and Administration continued

Subsidiaries	Indirect subsidiary	European Convergence Property Company Bulgaria EOOD 9A Pozitano Street, Floor 5, Office 16 Triaditsa Region Sofia Bulgaria
	Indirect subsidiary	European Property Acquisitions EOOD [1] 37 Fridtjof Nansen Street Sredets Region Sofia 1142 Bulgaria
	Direct subsidiary	European Convergence Property Company (Cayman) Limited PO Box 309, Ugland House Grand Cayman Cayman Islands British West Indies
	Indirect subsidiary	ECPC (Cyprus) Limited 12 Esperidon Street, 4/F PC 1087 Nicosia Cyprus
	Indirect subsidiary	European Convergence Property Company (Malta) Limited 48 Sqaq Nr 2 Triq ix-Xatt Pieta MSD08 Malta
	Indirect subsidiary	European Property Millenium Company SRL [2] 18 Calea Dorobantilor, First Floor, Room 2 Section 1 Bucharest Romania
	Indirect subsidiary	European Property Imobiliar Invest SRL 69-71 Soseaua Bucuresti-Ploiesti First Floor, Room No. 24 Sector 1 Bucharest Romania
	Indirect subsidiary	European Property Development Corporation SRL 69-71 Soseaua Bucuresti-Ploiesti First Floor, Room No. 24 Sector 1 Bucharest Romania

Management and Administration continued

Subsidiaries continued	Indirect subsidiary	Convergence Property Invest SRL[3] 69-71 Soseaua Bucuresti-Ploiesti First Floor, Room No. 24 Sector 1 Bucharest Romania
	Indirect subsidiary	Orange Convergence Finance BV Atrium 7th Floor, Strawinskylaan 3105 1077 ZX Amsterdam The Netherlands
	Indirect subsidiary	European Convergence Property Company Real Estate Trading and Management Limited Talatpasa Bulvari N:51 D.4 Alsancak Izmir Turkey
	Indirect subsidiary	Millennium Estate SRL [3] 2-4 Armand Calinescu Street, Millennium Business Center Ground Floor, Room P16 Sector 2 Bucharest Romania
	Indirect subsidiary	Paris Developments SRL [3] 69-71 Soseaua Bucuresti-Ploiesti First Floor, Room No. 24 Sector 1 Bucharest Romania
	Indirect subsidiary	European Property Development Invest SRL [2] 69-71 Soseaua Bucuresti-Ploiesti First Floor, Room No. 24 Sector 1 Bucharest Romania

[1] Subsequent to the year end European Property Acquisitions EOOD, a dormant company, was sold for nominal value.

[2] During the year ended 30 June 2007 European Property Millenium Company SRL was merged with Millennium Estate SRL and consequently, European Property Millenium Company SRL was deregistered on 17 September 2007.

[3] Pursuant to a share sale and purchase agreement dated 31 July 2007 Millennium Estate SRL, Paris Developments SRL and Convergence Property Invest SRL were sold to a third party.

Chairman's Statement

During the reporting year the Company completed the sale of the subsidiary companies holding its Romanian investment properties to DEGI Deutsche Gesellschaft fur Immobilienfonds m.b.H.

The net consideration for the disposed companies was approximately €17.2m. The properties were acquired for a combined cost of €89.1m, and had been re-valued in early 2007 at €97.5m. The value attributable to the properties in arriving at the sale proceeds was approximately €110.5m after transaction costs and adjustments of €5.5m for the net current assets of the companies being sold. As at 31 December 2007 this increased the unaudited NAV per share to €1.21.

Due to considerable yield compression in the market the Company decided not to pursue further acquisitions and instead to return the proceeds of the sale along with any un-invested cash to Shareholders. As a result Shareholder approval was sought to facilitate an efficient mechanism for returning these monies to Shareholders and at the end of January 2008 an initial return of capital of €58.9 million (€0.94 per share) was made to Shareholders.

The Company now has one remaining investment asset, Mall Veliko Turnovo, in Bulgaria. This has been subject to several offers which were subsequently withdrawn for various reasons. There remains interest from other potential buyers and the Company is still actively pursuing several sales strategies.

A valuation of Mall Veliko Turnovo was recently carried out by SHM Smith Hodgkinson, an independent firm of chartered surveyors. The property has now been valued at €31.56 m, compared with its valuation of €32.55m in January 2007.

The consolidated net assets of the Company as at 30 June 2008 were €15.832m, giving a net asset value per share of €0.25.

Erwin Brunner
Chairman

5 December 2008

Report of the Manager

During the year, a number of offers were received and considered for the Company's one remaining asset, Mall Veliko Turnovo ("MVT") in Bulgaria. However for various reasons, including the economic environment, these were all subsequently withdrawn. The Manager is still actively seeking a buyer for the property with several sales options being considered.

Operation of Mall Veliko Turnovo

September 2008 marks the second anniversary of the opening of MVT. During the year the Manager focussed on consolidation of the tenant mix and continued marketing of MVT through various promotional activities. In general this has resulted in an increase in the quality of tenants and the level of rents received.

Through careful management of expenses, operational costs for 2008 were slightly lower than in 2007, although the effects of current energy prices and Bulgarian inflation mean that this is not expected to continue.

By June 2008, occupancy was near 100%, and although two key tenants were lost in August, one of these has already been replaced, and negotiations with a replacement for the restaurant area, which is the remaining vacancy (approx 5% of the mall), are close to finalisation with catering businesses more suited to a shopping mall than the previous tenant. These two changes in tenants will result in a slight increase in monthly rental income.

The area where MVT is located is becoming the main retail destination for the city. This year a number of new operators have opened in the vicinity; however these new operators increase competition for customer attention and retail spend. There are possible plans for two further malls for Veliko Turnovo, both within the MVT retail destination area which if realised will further increase competition.

As well as increasing competition the impacts of the global credit conditions together with the effects of commodity and food price increases may lead to a softening in the leasing/tenant market.

Valuation of Mall Veliko Turnovo

SHM Smith Hodgkinson, an independent firm of chartered surveyors has recently carried out a valuation of the property, and it has been valued at €31.56m, giving an exit yield of 7.5%. There have been recent sales of at least two larger malls in Bulgaria. City Centre Sofia is believed to have been sold by Equest to Heitman at an initial yield in the region of 7 – 7.25%. In addition, during 2008 the Uzanov Mall in Varna was sold for an exit yield of approximately 7.65%. The manager is confident that the current valuation is reasonable.

Charlemagne Capital (IOM) Limited

5 December 2008

Report of the Directors

The Directors hereby submit their annual report together with the audited consolidated financial statements of European Convergence Property Company plc (the "Company") for the financial year ended 30 June 2008.

The Company
The Company is incorporated in the Isle of Man and was established to enable investors to take advantage of opportunities that exist in the property markets of South-East Europe. It subsequently acquired 4 property assets in Romania and Bulgaria, of which 3 were sold during the year leaving a single property asset, Mall Veliko Turnovo, in Bulgaria.

As previously reported, the Directors determined not to invest surplus cash or re-invest the proceeds from the properties sold earlier in the year. To facilitate an efficient mechanism for returning monies to shareholders, the Company was re-registered during the year as a company governed by the Isle of Man Companies Act 2006. Following this re-registration, a capital return of €58.9m (€0.94 per share) was returned to shareholders on 31 January 2008.

Results and Dividends
The results and position of the Group and the position of the Company at the year end is set out on pages 9 to 13 of the financial statements.

Following the return of capital earlier in the year, the Directors do not intend to declare a dividend.

Directors
The Directors during the year and up to the date of this Report were:

Erwin Brunner
James C. Rosapepe
Donald C. McCrickard
Anderson A. Whamond

Directors' and Other Interests
Save as disclosed in Note 8.1, 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. None of the other directors have a direct or indirect interest of the shares in the Company.

Charlemagne Capital (Investments) Limited (a subsidiary of Charlemagne Capital Limited, the parent of the Investment Manager) holds 97,478 shares in the Company.

Independent Auditors
KPMG Audit LLC Isle of Man have expressed a willingness to continue in office in accordance with Isle of Man company law.

Corporate Governance
As an AIM listed company, the Company is not required to follow the provisions of the Combined Code as set out in the UK Financial Services Authority Listing Rules, however, the Board is committed to high standards of corporate governance and a summary of the main elements of corporate governance are described below:

Board of Directors

The composition of the Board is set out above. The Board currently comprises a non-executive chairman and three other non-executive directors.

The Board meets regularly and is provided with relevant information on financial, business and corporate matters prior to meetings.

Report of the Directors continued

Audit Committee

The Audit Committee consists of the Board members. To be quorate at least two offshore directors must be present, with the majority of the Committee also being independent of the management of the Company. The Committee overviews the adequacy of the Company's internal controls, accounting policies and financial reporting and provides a forum through which the Company's external auditors report to the Company.

Internal Control

The Directors are responsible for establishing and maintaining the Company's system of internal control. This system of internal control is designed to safeguard the Company's assets and to ensure that proper accounting records are maintained and that financial information produced by the Company is reliable. There are inherent limitations in any system of internal control and such a system can provide only reasonable, but not absolute, assurances against material misstatement or loss. The Directors, through the Audit Committee, have reviewed the effectiveness of the Company's system of internal controls.

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Parent Company and of the Group's profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board
Erwin Brunner
Chairman

5 December 2008

Report of the Independent Auditors, KPMG Audit LLC, to the members of European Convergence Property Company plc

We have audited the Group and Parent Company financial statements (the "financial statements") of European Convergence Property Company plc for the year ended 30 June 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and Parent Company's affairs as at 30 June 2008 and of the Group's profit and cash flows for the year then ended; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit LLC, Isle of Man

Chartered Accountants, Heritage Court, 41 Athol Street Douglas, Isle of Man IM99 1HN

9 December 2008

Consolidated Income Statement

	Note	Year ended 30 June 2008 €'000	Year ended 30 June 2007 €'000
Realised gain on sale of subsidiaries	2	**6,825**	**-**
Net (loss)/gain from fair value adjustment on investment property	10	**(940)**	**13,124**
Net rent and related income	5	**4,374**	**5,766**
Manager's fees	8.3	(2,504)	(2,343)
Audit and professional fees	9.5	(1,857)	(258)
Other expenses	9	(876)	(1,771)
Administrative expenses		**(5,237)**	**(4,372)**
Net operating profit before net financing expense		**5,022**	**14,518**
Financial income	6	889	743
Financial expenses	6	(2,352)	(2,923)
Net financing expense		**(1,463)**	**(2,180)**
Profit before tax		**3,559**	**12,338**
Income tax expense	20	5,276	(5,890)
Retained profit for the year		**8,835**	**6,448**
Basic and diluted earnings per share (€)	14	**0.1409**	**0.1028**

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

Consolidated Balance Sheet

	Note	At 30 June 2008 €'000	At 30 June 2007 €'000
Investment property	10	31,560	131,971
Property, plant and equipment	11	-	62
Total non-current assets		**31,560**	**132,033**
Trade and other receivables	16	4,510	3,977
Cash and cash equivalents	12	2,552	23,107
Total current assets		**7,062**	**27,084**
Total assets		**38,622**	**159,117**
Issued share capital	13	3,762	62,696
Retained earnings		12,070	3,235
Foreign currency translation reserve		-	1,758
Total equity		**15,832**	**67,689**
Interest-bearing loans and borrowings	15	19,232	80,108
Deferred tax liability	20	187	5,045
Total non-current liabilities		**19,419**	**85,153**
Trade and other payables	17	3,371	6,275
Total current liabilities		**3,371**	**6,275**
Total liabilities		**22,790**	**91,428**
Total equity & liabilities		**38,622**	**159,117**

Approved by the Board of Directors on 5 December 2008.

Director **Director**

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

Company Balance Sheet

	Note	At 30 June 2008 €'000	At 30 June 2007 €'000
Investment in subsidiaries	2	-	-
Total non-current assets		**-**	**-**
Intragroup balances		16,375	44,061
Trade and other receivables	16	12	36
Cash and cash equivalents	12	1,175	17,145
Total current assets		**17,562**	**61,242**
Total assets		**17,562**	**61,242**
Issued share capital	13	3,762	62,696
Retained losses		13,735	(1,517)
Total equity		**17,497**	**61,179**
Trade and other payables	17	65	63
Total current liabilities		**65**	**63**
Total liabilities		**65**	**63**
Total equity & liabilities		**17,562**	**61,242**

The profit earned by the Company for the year ended 30 June 2008 was €15,251,402 (2007: €452,207).

Approved by the Board of Directors on 5 December 2008.

Director **Director**

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

Consolidated Statement of Changes in Equity

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	€'000	€'000	€'000	€'000
Balance at 1 July 2006	**62,696**	**(3,213)**	**(122)**	**59,361**
Foreign exchange translation differences	-	-	1,880	1,880
Retained profit for the year	-	6,448	-	6,448
Balance at 30 June 2007	**62,696**	**3,235**	**1,758**	**67,689**
Balance at 1 July 2007	**62,696**	**3,235**	**1,758**	**67,689**
Capital distribution	(58,934)	-	-	(58,934)
Foreign exchange translation differences	-	-	(1,758)	(1,758)
Retained profit for the year	-	8,835	-	8,835
Balance at 30 June 2008	**3,762**	**12,070**	**-**	**15,832**

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

Consolidated Cash Flow Statement

	Note	Year ended 30 June 2008 €'000	Year ended 30 June 2007 €'000
Operating activities			
Group profit for the year		8,835	6,448
Adjustments for:			
Gain from sale of subsidiaries		(6,825)	-
Net loss/(gain) from fair value adjustment on investment property		940	(13,124)
Financial income		(889)	(743)
Foreign currency translation differences		(1,758)	1,880
Financial expense		2,352	2,923
Depreciation		62	-
Income tax (credit)/expense		(5,276)	5,890
Operating (loss)/profit before changes in working capital		**(2,559)**	**3,274**
Decrease/(increase) in trade and other receivables		2,614	(3,696)
(Decrease)/increase in trade and other payables		(1,173)	5,118
Cash (used in)/generated from operations		**(1,118)**	**4,696**
Interest paid		(2,352)	(2,923)
Income and corporation tax received/(paid)		418	(852)
Interest received		889	743
Cash flows (used in)/generated from operating activities		**(2,163)**	**1,664**
Investing activities			
Staged payments relating to property acquisitions		-	(88,425)
Sale of subsidiary companies		12,929	-
Cash sold with subsidiary companies		(6,728)	
Repayment of loans by former subsidiaries		34,341	-
Purchase of property, plant and equipment		-	(62)
Cash flows generated from/(used in) investing activities		**40,542**	**(88,487)**
Financing activities			
Proceeds from long term loans		-	67,108
Repayment of long term loans		-	(750)
Capital distribution		(58,934)	-
Cash flows (used in)/generated from financing activities		**(58,934)**	**66,358**
Net decrease in cash and cash equivalents		(20,555)	(20,465)
Cash and cash equivalents at beginning of year		23,107	43,572
Cash and cash equivalents at end of year	12	**2,552**	**23,107**

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

Notes to the Consolidated Financial Statements

1 The Company

European Convergence Property Company plc (the "Company") was originally 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. On 21 December 2007 with the approval of Shareholders in general meeting, the Company was re-registered as a company under the Isle of Man Companies Act 2006 with registered number 002085v.

Pursuant to a prospectus dated 15 June 2005 there was an original placing of up to 100,000,000 Ordinary Shares. Following the close of the placing on 24 June 2005 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.

Capital Distribution
Following approval of the Company's Shareholders in general meeting and as a consequence of the Directors having determined not to invest surplus cash or reinvest monies received from the sale of certain property assets an amount of approximately €58.9m or €0.94 per share was returned to shareholders pro rata by way of a capital distribution on 31 January 2008.

Duration
In accordance with the Company's Articles of Association, Shareholders will be given the opportunity to vote on the life of the Company after approximately 7 years.

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.

In the current year, no dividend was declared due to the return of capital made on 31 January 2008.

Property Valuation Policy
The Directors have appointed an internationally recognised firm of surveyors as property valuers for properties in Romania and Bulgaria. 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.

Notes to the Consolidated Financial Statements continued

2 The Subsidiaries

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

	Country of incorporation	Percentage of shares held
European Convergence Property Company Bulgaria EOOD	Bulgaria	100%
European Property Acquisitions EOOD [1]	Bulgaria	100%
European Convergence Property Company (Cayman) Limited	Cayman Islands	100%
ECPC (Cyprus) Limited	Cyprus	100%
European Convergence Property Company (Malta) Limited	Malta	100%
European Property Millenium Company SRL [2]	Romania	100%
European Property Imobiliar Invest SRL	Romania	100%
European Property Development Corporation SRL	Romania	100%
Convergence Property Invest SRL	Romania	100%
Orange Convergence Finance BV	The Netherlands	100%
European Convergence Property Company Real Estate Trading and Management Limited	Turkey	100%
Paris Development SRL [3]	Romania	100%
Millennium Estates SRL [3]	Romania	100%
European Property Development Invest SRL [3]	Romania	100%

[1] Subsequent to the year end, European Property Acquisitions EOOD, a dormant company, was sold for nominal value.

[2] During the year ended 30 June 2007 European Property Millenium Company SRL was merged with Millennium Estate SRL and consequently, European Property Millenium Company SRL was deregistered on 17 September 2007.

[3] Pursuant to a share sale and purchase agreement dated 31 July 2007 Millennium Estate SRL, Paris Developments SRL and Convergence Property Invest SRL were sold to a third party.

3 Significant Accounting Policies

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

The annual report of the Company for the year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the "Group").

The annual report was authorised for issue by the Directors on 5 December 2008.

3.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board. Management has concluded that the report fairly represents the entity's financial position, financial performance and cash flows. In preparing these consolidated financial statements, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements – Capital Disclosures*. The adoption of IFRS 7 and the amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

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 most significant area requiring estimation and judgement by the Directors is the valuation of investment property, see Note 10.

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

Notes to the Consolidated Financial Statements continued

3.2 Foreign currency translation

Euro is the currency of the primary economic environment in which the entity operates ("The functional currency"). The functional currency of the Romanian subsidiaries was the Romanian Lei, and the functional currency of the Bulgarian subsidiary is the Bulgarian Lev. Otherwise the euro is the functional currency of the subsidiaries.

Euro is also the currency in which the annual financial statements are presented ("The presentation currency").

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.

The accounts are presented in Euros by translating the assets and liabilities at the exchange rate prevailing at the balance sheet date. Items of revenue and expense are translated at exchange rates on the date of the relevant transactions. Components of equity are translated at the date of the relevant transaction and not retranslated. All resulting exchange differences are recognised in equity.

3.3 Investment property

Investment properties are those which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. Any gain or loss arising from a change in fair value is recognised in the income statement.

An external, independent valuation company, SHM Smith Hodgkinson (Romania) Srl, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values 50% of the investment property portfolio every year on the basis of the Income approach. The fair values are based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after property marketing wherein parties had each acted knowledgeably, prudently and without compulsion.

3.4 Property, plant and equipment

All property, plant and equipment (other than investment properties) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives. For the majority of the assets this is estimated at 5 years, with the following exceptions;

- computers in Paris Developments, 3 years
- floor carpet in Millennium, 10 years
- security access system in Millennium, 12 years

3.5 Deposit interest

Deposit interest is accounted for on an accruals basis.

3.6 Cash and cash equivalents

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

3.7 Revenue and expense recognition

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

Rental income from investment property leased out under operating lease is recognised in the income statement on a straight-line basis over the term of the lease.

Notes to the Consolidated Financial Statements continued

3.7 Revenue and expense recognition continued

Expenses are accounted for on an accruals 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.

3.8 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.

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.

3.9 Dividends

Dividends are recognised as a liability in the year in which they are declared and approved. There was no dividend declared as at 30 June 2008 (2007: Nil).

3.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At 30 June 2008 and 2007 the Group did not have any financial assets at fair value through profit or loss or available for sale. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

3.11 Other receivables

Trade and other receivables are stated at their cost which approximates their market value less provision for any bad and doubtful debts.

3.12 Trade and other payables

Trade and other payables are stated at their cost which approximates their market value.

3.13 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the year of the borrowings on an effective interest basis.

Notes to the Consolidated Financial Statements continued

3.14 Share Capital

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

3.15 Future changes in accounting policies

IFRS and IFRIC Interpretations not applied.

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards Board (IAS/IFRS)	Effective date (accounting periods commencing after)
IFRS 8 Operating segments	1 January 2009

IFRS 8 introduces the "management approach" to segment reporting, with information based on internal reports. Management are currently assessing the impact of this on the disclosures to be presented regarding segmental reporting. The Directors do not expect the adoption of the other standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

3.16 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

4 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The segments are managed on a worldwide basis, but operate in three principal geographical areas, Bulgaria, Romania and Turkey. The location of the customers is the same as the location of the assets.

Year ended 30 June 2008	Bulgaria €'000	Romania €'000	Turkey €000	Unallocated €'000	Total €'000
Net rent and associated income	2,777	1,597	-	-	4,374
Segment results	3,147	9,654	(5)	(3,961)	8,835
Segment assets	33,064	-	-	5,558	38,622
Segment liabilities	(19,497)	-	-	(3,293)	(22,790)

Year ended 30 June 2007	Bulgaria €'000	Romania €'000	Turkey €'000	Unallocated €'000	Total €'000
Net rent and associated income	1,660	4,106	-	-	5,766
Segment results	2,223	6,119	(6)	(1,888)	6,448
Segment assets	33,846	107,380	-	17,891	159,117
Segment liabilities	(19,973)	(70,040)	-	(1,415)	(91,428)

5 Net Rent and Related Income

	2008 €'000	2007 €'000
Gross lease payments collected/accrued	4,374	5,766

Notes to the Consolidated Financial Statements continued

5 Net Rent and Related Income continued

The group leases out its investment property under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2008 €'000	2007 €'000
Less than one year	428	56
Between one and five years	-	7,361
More than five years	-	3,204
	428	10,621

The Group has raised specific provisions for doubtful debts of €125,685 (2007: €nil) against rental income.

6 Net Financing Expense

	2008 €'000	2007 €'000
Interest income	889	743
Financial income	889	743
Gross interest expense	(1,880)	(2,300)
Bank facility fee	-	(217)
Bank charges	(472)	(406)
Financial expenses	(2,352)	(2,923)
Net financing expense	(1,463)	(2,180)

7 Net Asset Value per Share

The net asset value per share as at 30 June 2008 is €0.2525 based on net assets of €15,831,839 and 62,696,333 ordinary shares in issue (30 June 2007: €1.0796).

8 Related Party Transactions

8.1 Directors of the Company

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

Charlemagne Capital (Investments) Limited, an entity associated with the Manager, holds 97,478 ordinary shares in the Company.

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.

8.2 Directors of the Subsidiaries

James Houghton and Jane Bates are directors of the Manager and have been appointed director(s) to a number of the Group 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.

8.3 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.

Notes to the Consolidated Financial Statements continued

8 Related Party Transactions continued

8.3 Manager's Fees continued

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

Annual management fees payable for the year ended 30 June 2008 amounted to €1,108,733 (2007: €1,460,350).

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.

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

Performance fees accrued for the year ended 30 June 2008 amounted to €1,395,673 (2007: €882,749).

9 Charges and Fees

9.1 Nominated Adviser and Broker fees

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.

The Nominated Adviser also received a one-off fee of £25,000 for work carried out in relation to the fundamental business change.

Advisory fees payable to the Nominated Adviser and Broker for the year ended 30 June 2008 amounted to €89,446 (2007: €52,864).

9.2 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 payable for the year ended 30 June 2008 amounted to €7,050 (2007: €7,050).

9.3 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 per annum. 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

9 Charges and Fees continued

9.3 Administrator and Registrar fees 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 on an annual basis.

Administration fees payable for the year ended 30 June 2008 amounted to €70,500 (2007: €70,500).

9.4 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.

9.5 Audit fees

Audit fees payable for the year ended 30 June 2008 amounted to €81,502 (2007: €100,512).

10 Investment Property

	30 June 2008 Group €000	30 June 2007 Group €'000
At beginning of year	131,971	24,522
Additions through:		
direct acquisitions of property	-	94,325
Disposals through sale of subsidiaries	(99,471)	-
Net (loss)/gain from fair value adjustments on investment property	(940)	13,124
Balance at end of year	**31,560**	**131,971**

The Group's investment properties were revalued at 30 September 2008 by an independent valuation agent, SHM Smith Hodgkinson.

Security

At 30 June 2008, there was a first rank mortgage on the above property securing the bank loans of €19.2 million (see Note 15).

11 Property, Plant & Equipment

	Group Fixtures & Fittings €'000
Net book amount at 1 July 2007	62
Additions	-
Depreciation charge	(62)
Net book amount at 30 June 2008	**-**
Net book amount at 30 June 2007	**62**

There were no impairment charges in 2008.

Notes to the Consolidated Financial Statements continued

12 Cash and Cash Equivalents

	Group 30 June 2008 €'000	Group 30 June 2007 €'000	Company 30 June 2008 €'000	Company 30 June 2007 €'000
Bank balances	2,552	23,107	1,175	17,145
Bank overdrafts	-	-	-	-
Cash and cash equivalents	**2,552**	**23,107**	**1,175**	**17,145**

13 Capital and Reserves

Share capital

Ordinary Shares of €1.00 each	2008 Number	2008 €'000
In issue at the start of the year	62,696,333	62,696
Return of capital	-	(58,934)
In issue at 30 June 2008	62,696,333	3,762

Ordinary Shares of €1.00 each	2007 Number	2007 €'000
In issue at the start of the year	62,696,333	62,696
Issued during the year	-	-
In issue at 30 June 2007	62,696,333	62,696

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

An initial return of capital of €58.9 million (€0.94 per share) was made to Shareholders on 31 January 2008.

The Group does not have any externally imposed capital requirements.

14 Basic and Diluted Earnings per Share

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year:

	2008	2007
Profit attributable to equity holders of the Company (€'000)	8,835	6,448
Number of ordinary shares in issue (thousands)	62,696	62,696
Basic and diluted earnings per share (€ per share)	0.1409	0.1028

Notes to the Consolidated Financial Statements continued

15 Interest-Bearing Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk see Note 20.

Non-current liabilities

	Group 30 June 2008 €'000	Group 30 June 2007 €'000
Secured bank loans	19,232	80,108

Terms and debt repayment schedule:

Loan Amount	Bank	Effective interest rate 30 June 2008	Final Maturity date
€19,232,391	Alpha Bank Sofia SA	EURIBOR 1M+1.955%	October 2011

16 Trade and Other Receivables

	Group 30 June 2008 €'000	Group 30 June 2007 €'000	Company 30 June 2008 €'000	Company 30 June 2007 €'000
Trade receivables	208	3,768	-	-
Deferred sale proceeds	4,276	-	-	-
Other	26	209	12	36
Total	**4,510**	**3,977**	**12**	**36**

17 Trade and Other Payables

	Group 30 June 2008 €'000	Group 30 June 2007 €'000	Company 30 June 2008 €'000	Company 30 June 2007 €'000
Taxation	11	-	-	-
Trade payables	131	3,597	-	-
Rental deposits	-	763	-	-
Accruals	3,229	1,415	65	63
Other	-	500	-	-
Total	**3,371**	**6,275**	**65**	**63**

Accruals include a performance fee of €2.278m and other accruals of €951k (2007 - €883k and €532k respectively).

18 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 30 June 2008:

Bulgarian Lev	1.9558
Turkish Lira	1.9251

19 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

Notes to the Consolidated Financial Statements continued

19 Directors' Remuneration continued

incurred in relation to their appointment. Total fees and expenses paid to the Directors for the year ended 30 June 2008 amounted to €90,000 (2007: €90,000).

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.

20 Taxation

Group income tax expense

	Year to 30 June 2008 €'000	Year to 30 June 2007 €'000
Current tax (credit)/expense	(418)	852
Movement in deferred tax liability	(4,858)	5,038
Income tax (credit)/expense for the year	(5,276)	5,890

Deferred income tax is based on temporary differences between revalued amounts of investment property in the books of the subsidiaries and their respective tax bases. The deferred tax position as at 30 June 2008 is based on the capital gains tax rate of 10% in Bulgaria.

Isle of Man
The Isle of Man has introduced a general zero per cent tax rate for companies with effect from 6 April 2006, with the exception of certain banking income and income from Isle of Man land and property which is taxed at 10 per cent.

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.

Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to Manx income tax on dividends received from the Company.

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.

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

21 Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cashflow risk, interest rate risk and price risk), credit risk, and liquidity risk.

Notes to the Consolidated Financial Statements continued

21 Financial Instruments continued

Market risk
Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations may be subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. The performance of the Company would be adversely affected by a downturn in the property market in terms of higher capitalisation rates/yields or a weakening of rent levels. Any future property market recession could materially adversely affect the value of property held. The Company's market risk is monitored by the Manager on a day to day basis and by the Directors at Board Meetings.

Price risk
The Group is exposed to property price and market rental risks. The value of the property held at 30 June 2008 is disclosed in Note 10.

Foreign exchange risk
The Group's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than the Euro (the functional currency). As a result, the Group is subject to the effects of exchange rate fluctuations with respect to these currencies. The currency giving rise to this risk is primarily Romanian Lei.

The Group may invest in financial instruments and enter into transactions denominated in currencies other than the functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the functional currency. The Group's policy is not to enter into any currency hedging transactions.

The following table sets out the Group's total exposure to foreign currency risk and the net exposure to foreign currencies of the assets and liabilities:

30 June 2008	Assets	Liabilities	Net Assets
	€000	€000	€000
Romanian Lei	-	-	-
Bulgarian Lev	1,504	(85)	1,419
Euro	37,118	(22,705)	14,413
Total	**38,622**	**(22,790)**	**15,832**

30 June 2007	Assets	Liabilities	Net Assets
	€000	€000	€000
Romanian Lei	7,967	(4,227)	3,740
Bulgarian Lev	1,296	(634)	662
Euro	149,854	(86,567)	63,287
Total	**159,117**	**(91,428)**	**67,689**

At 30 June 2008 there are no remaining Romanian Lei assets and the Bulgarian Lev is pegged to the Euro therefore there is no significant foreign exchange risk as at 30 June 2008.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash held by the Group is invested at short-term market interest rates. The Group has interest-bearing loans (see Note 15). As a result, the Company is exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. It is also exposed to interest rate cash flow risk.

The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

Notes to the Consolidated Financial Statements continued

21 Financial Instruments continued

30 June 2008	Less than 1 month €'000	1-3 months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	Non-interest bearing €'000	Total €'000
Financial assets							
Trade and other receivables	-	-	-	-	-	4,510	4,510
Cash and cash equivalents	2,552	-	-	-	-	-	2,552
Total financial assets	2,552	-	-	-	-	4,510	7,062
Financial liabilities							
Interest bearing loans	-	-	-	(19,232)	-	-	(19,232)
Trade and other payables	-	-	-	-	-	(3,371)	(3,371)
Total financial liabilities	-	-	-	(19,232)	-	(3,371)	(22,603)
Total interest rate sensitivity gap	2,552	-	-	(19,232)	-		

30 June 2007	Less than 1 month €'000	1-3 months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	Non-interest bearing €'000	Total €'000
Financial assets							
Trade and other receivables	-	-	-	-	-	3,977	3,977
Cash and cash equivalents	23,107	-	-	-	-	-	23,107
Total financial assets	23,107	-	-	-	-	3,977	27,084
Financial liabilities							
Interest bearing loans	-	-	(4,850)	(75,153)	-	-	(80,003)
Trade and other payables	-	-	-	-	-	(6,275)	(6,275)
Total financial liabilities	-	-	-	-	-	(6,275)	(86,278)
Total interest rate sensitivity gap	23,107	-	(4,850)	(75,153)	-		

If the interest rates to which the Group was exposed had been lower than those actually experienced by 200 basis points for the full year then this would have resulted in an increase in profit for the year and net assets at the period end of €0.47m. If interest rates had been higher by the same amount there would have been a similar decrease in profit for the year and net assets at the period end.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost.

Notes to the Consolidated Financial Statements continued

21 Financial Instruments continued

Credit risk continued
At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	30 June 2008 €'000	30 June 2007 €'000
Trade and other receivables	4,510	3,977
Cash at bank	2,552	23,107
	7,062	27,084

The Group manages its credit risk by monitoring the creditworthiness of counterparties regularly and does not expect any counterparty to fail to meet its obligations.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group manages its liquidity risk by maintaining sufficient cash balances for working capital, and obtains secured bank loans to fund purchases of investment property. The Group's liquidity position is monitored by the Manager and the Board of Directors.

At the reporting date, the residual undiscounted contractual maturities of financial liabilities are the following:

	Less than 1 month €'000	1-3 months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	No stated maturity €'000	Total €'000
Other creditors and accrued expenses	688	-	2,683	-	-	-	3,371
Interest bearing loans and borrowings	-	-	-	19,232	-	-	19,232

Comparatives as at 30 June 2007

	Less than 1 month €'000	1-3 months €'000	3 months to 1 year €'000	1-5 years €'000	Over 5 years €'000	No stated maturity €'000	Total €'000
Other creditors and accrued expenses	6,275	-	5,045	-	-	-	11,320
Interest bearing loans and borrowings	-	-	-	80,108	-	-	80,108

Fair values
The carrying amounts of all the Company's financial assets and financial liabilities at the balance sheet date approximated to their fair values.

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.

22 Post Balance Sheet Events

There are no significant post balance sheet events.

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(*Incorporated in the Isle of Man)*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the above named Company will be held at the offices of Galileo Fund Services Limited, Third Floor, Britannia House, St George's Street, Douglas, Isle of Man, IM1 1JE, British Isles on Wednesday 31 December 2008 at 10:00 a.m. to transact the following business:

1. To receive and consider the Report of the Investment Manager, Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year to 30 June 2008.

2. To re-appoint KPMG Audit LLC Isle of Man as Auditors of the Company for the year ending 30 June 2009.

By Order of the Board
Ian Dungate
Secretary

Date: 9 December 2008

Registered Office
Third Floor
Britannia House
St George's Street
Douglas
Isle of Man IM1 1JE
British Isles

NOTES:

1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not be a member of the Company. In the case of joint holders, if more than one of such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy.

2 A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude a member from attending and voting at the Meeting if he so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.

3 In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at Galileo Fund Services Limited, Third Floor, Britannia House, St George's Street, Douglas, Isle of Man, IM1 1JE, British Isles (Attn: Ian Dungate) Fax: 44 1624 692601 no later than two days before the date appointed for holding the meeting.

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(*Incorporated in the Isle of Man)*

FORM OF PROXY

To be used for the Annual General Meeting of the above named company to be held at the offices of Galileo Fund Services Limited, Third Floor, Britannia House, St George's Street, Douglas, Isle of Man, IM1 1JE, British Isles on Wednesday 31 December 2008 at 10:00 a.m. to transact the following business:

I/We ____[1]

of ____[1] being member(s) of the

above-named Company, hereby appoint the Chairman of the Meeting or [2] ______________________________

of ____or Ian Dungate or failing

him, Margaret Corkill as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on

31 December 2008 and at any adjournment thereof.

I/We direct my/our proxy to vote in respect of the Resolutions to be proposed at such Annual General Meeting in the following manner [3]:-

ORDINARY RESOLUTIONS	**FOR**	**AGAINST**	**ABSTAIN**
1 THAT the Report of the Investment Manager, Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year to 30 June 2008 be approved.			
2 THAT KPMG Audit LLC, Isle of Man be re-appointed the Auditors of the Company for the year ending 30 June 2009 at a fee to be approved by the Directors.			

Dated: 2008

Signature________________________________

NOTES:

1 Full name(s) and address(es) to be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.

2 If you wish to appoint a person other than the Chairman of the Meeting as your proxy please delete the words "the Chairman of the Meeting" and print the name and address of the person you wish to appoint in the space provided.

3 Please indicate with an "X" in the appropriate space beside the resolution how you wish your proxy to vote on your behalf on a poll. Except as otherwise instructed, your proxy will exercise his discretion as to how he votes or whether he abstains from voting.

4 This form of proxy must be signed by the member or his attorney duly authorised in writing, or if the appointer is a corporation the form of proxy must be executed under the hand of an officer of the corporation duly authorised on their behalf.

5 A member entitled to attend and vote is entitled to appoint one or more parties to attend and, on a poll, to vote instead of him. A proxy need not also be a member. In the case of joint holders, if more than one such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy

6 This form of proxy should be completed and lodged at the Company's registered office C/o Galileo Fund Services Limited, Third Floor, Britannia House, St George's Street, Douglas, Isle of Man, IM1 1JE, British Isles (Attn: Ian Dungate) Fax: 44 1624 692601 no later than two days before the date appointed for holding the meeting together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority.