ECPC

European Convergence Property Company

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(Incorporated in the Isle of Man)

Consolidated Annual Report

30 June 2009

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 (International) PLC Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Galileo Fund Services Limited Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
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
	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 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
	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

Management and Administration continued

Subsidiaries continued	Indirect subsidiary	European Property Acquisitions EOOD[1] 37 Fridtjof Nansen Street Sredets Region Sofia 1142 Bulgaria

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

Chairman’s Statement

Since the sale of the Company’s Romanian property holding subsidiaries in the last reporting year, and the subsequent return of capital to shareholders, the Company has continued to hold its one remaining investment asset, Mall Veliko Turnovo, in Bulgaria.

During the period and to the date of this report there were three events of note specific to the Company.

Firstly and secondly, independent valuations of Mall Veliko Turnovo were carried out on two dates.

The first valuation point was as at 31 December 2008, by the independent firms SHM Smith Hodgkinson (a firm of chartered surveyors) and Jones Lang Lasalle (one of the world’s leading services and investment management firms). Given the difficulty in assessing the value of investment property in the current market conditions, the Board was reassured by the similarity in the two valuations and adopted the marginally lower valuation, which was reflected in the Interim Financial Statements. This valuation showed a decrease of €3.7m from the previous valuation.

The second valuation was carried out at 30 June 2009, by SHM Smith Hodgkinson, and resulted in a further reduction in value of the mall of €4.2m. These reductions in value, together totalling €7.9m, reflect the impact on the retail property investment market in Bulgaria resulting from the current global credit restrictions and economic conditions.

The third event concerned the deferred sales proceeds relating to the three subsidiaries sold in the previous financial period. On 27 January 2009 the Company announced that the purchaser of the three properties had made claims totalling up to €4.5 million against the deferred proceeds of sale for alleged breaches of warranties contained in the sale and purchase agreements. Subsequent to the balance sheet date, a settlement agreement was reached between the Company and the purchaser in the amount of €0.9 million. As a provision of €0.8 million was made in the accounts for financial year ended 30 June 2008, the Company has been required to make an additional provision of €0.1 million in the current financial year.

Mall Veliko Turnovo has now been operational for over two years and continues to enjoy near full occupancy for the retail business. The deterioration in the local market, which is expected to continue throughout 2010, is putting severe pressure on rental and occupancy levels. The Company will continue to do all that it considers reasonably necessary to maintain rental and occupancy levels, however the outlook remains challenging.

The consolidated net assets of the Company as at 30 June 2009 were €9.272m, giving a net asset value of €0.15 per share (31 December 2008 - €12.995m and €0.21 per share).

Erwin Brunner
Chairman

30 November 2009

Report of the Manager

Subsequent to sale of the three Romanian assets in October 2007, the Manager has been working on maintaining the value of the remaining asset and resolving the deferred sales proceeds issue. The Manager is also in the process of closing down the remaining unused Romanian and other unused companies and related elements of the structure.

The Manager is critically reviewing all ongoing costs in relation to managing the remaining asset, Mall Veliko Turnovo and the Company.

Mall Veliko Turnovo
The Bulgarian wider economy is under considerable stress, with unemployment increased to 8% and GDP forecast to shrink by 7% during 2009. The Manager expects that the difficult economic environment is likely to continue throughout 2010.

The difficult operating conditions have led to considerable pressure from tenants for concessions in their terms, which has resulted in a reduction in income to the Company over the course of the year. In May 2009, the lending bank increased the margin on the financing bank loan which placed further stress on the business. It should be noted that the borrowings are at the subsidiary level and are non-recourse. However the Manager and the tenants are working together to ensure business is maintained throughout 2010 which will be another difficult year in Bulgaria.

Charlemagne Capital (IOM) Limited

30 November 2009

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 2009.

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 10 to 14 of the financial statements.

The Directors do not intend to declare a dividend (2008: €nil).

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

In accordance with the Company's Articles of Association the Directors of the Company retire and offer themselves for re-appointment at the forthcoming Annual General Meeting.

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.

At 30 June 2009 Charlemagne Capital (Investments) Limited (a subsidiary of Charlemagne Capital Limited, the parent of the Investment Manager) held 97,479 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 Director's Report and the Financial Statements

The Directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group 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 they have been prepared in accordance with International Financial Reporting Standards; 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 allow for the preparation of financial statements. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

On behalf of the Board
Erwin Brunner
Chairman

30 November 2009

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 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Changes in Equity and 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 Director's Report and the financial statements in accordance with applicable 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 if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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 material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the 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 and Parent Company's affairs as at 30 June 2009 and of the Group's loss for the year then ended.

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

Emphasis of matter

Without qualifying our audit opinion we draw to your attention the following matters;
As disclosed in note 3.1 to these financial statements, the global financial crisis and the deteriorating economic environment in the jurisdictions within which the Group operates have increased the intensity of the risk factors to which the Group is exposed. In particular, there is now increased uncertainty as to the valuation of the investment property held, along with the recoverability of receivables from third parties. In particular the Group is yet to reach formal agreement on the level of sales proceeds due (see note 16).

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

30 November 2009

Consolidated Income Statement

	Note	Year ended 30 June 2009 €'000	Year ended 30 June 2008 €'000
Realised gain on sale of subsidiaries	2	**-**	**6,825**
Net loss from fair value adjustment on investment property	10	**(7,960)**	**(940)**
Net rent and related income	5	**2,733**	**4,374**
Manager's fees	8.3	899	(2,504)
Audit and professional fees	9.5	(174)	(1,857)
Other expenses	9	(1,253)	(876)
Administrative expenses		**(528)**	**(5,237)**
Net operating (loss)/profit before net financing expense		**(5,755)**	**5,022**
Financial income	6	73	889
Financial expenses	6	(1,057)	(2,352)
Net financing expense		**(984)**	**(1,463)**
(Loss)/profit before tax		**(6,739)**	**3,559**
Income tax credit	20	177	5,276
Retained (loss)/profit for the year		**(6,562)**	**8,835**
Basic and diluted (loss)/earnings per share (€)	14	**(0.1047)**	**0.1409**

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

Consolidated Balance Sheet

	Note	At 30 June 2009	At 30 June 2008
		€'000	€'000
Investment property	10	23,600	31,560
Property, plant and equipment	11	98	-
Total non-current assets		**23,698**	**31,560**
Trade and other receivables	16	2,810	4,510
Cash and cash equivalents	12	4,200	2,552
Total current assets		**7,010**	**7,062**
Total assets		**30,708**	**38,622**
Issued share capital	13	3,682	3,762
Retained earnings		5,581	12,070
Foreign currency translation reserve		9	-
Total equity		**9,272**	**15,832**
Interest-bearing loans and borrowings	15	19,178	19,232
Deferred tax liability	20	-	187
Total non-current liabilities		**19,178**	**19,419**
Trade and other payables	17	2,258	3,371
Total current liabilities		**2,258**	**3,371**
Total liabilities		**21,436**	**22,790**
Total equity & liabilities		**30,708**	**38,622**

Approved by the Board of Directors on 30 November 2009.

Director **Director**

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

Company Balance Sheet

	Note	At 30 June 2009 €'000	At 30 June 2008 €'000
Investment in subsidiaries	2	-	-
Total non-current assets		**-**	**-**
Intragroup balances	16	7,213	16,375
Trade and other receivables	16	6	12
Cash and cash equivalents	12	2,154	1,175
Total current assets		**9,373**	**17,562**
Total assets		**9,373**	**17,562**
Issued share capital	13	3,682	3,762
Retained profits		5,590	13,735
Total equity		**9,272**	**17,497**
Trade and other payables	17	101	65
Total current liabilities		**101**	**65**
Total liabilities		**101**	**65**
Total equity & liabilities		**9,373**	**17,562**

The loss recorded by the Company for the year ended 30 June 2009 was €8,144,747 (2008: profit €15,251,402) after the impairment of intercompany balances.

Approved by the Board of Directors on 30 November 2009.

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 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**
Balance at 1 July 2008	3,762	12,070	-	15,832
Shares cancelled following market purchases	(80)	73	-	(7)
Foreign exchange translation differences	-	-	9	9
Retained loss for the year	-	(6,562)	-	(6,562)
Balance at 30 June 2009	**3,682**	**5,581**	**9**	**9,272**

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

Consolidated Cash Flow Statement

	Note	Year ended 30 June 2009 €'000	Year ended 30 June 2008 €'000
Operating activities			
Group (loss)/profit for the year		(6,562)	8,835
Adjustments for:			
Gain from sale of subsidiaries		-	(6,825)
Net loss from fair value adjustment on investment property		7,960	940
Financial income		(73)	(889)
Foreign currency translation differences		9	(1,758)
Financial expense		1,057	2,352
Depreciation		-	62
Income tax credit		(177)	(5,276)
Operating profit/(loss) before changes in working capital		**2,214**	**(2,559)**
Decrease in trade and other receivables		1,700	2,614
Decrease in trade and other payables		(1,113)	(1,173)
Cash generated from/(used in) operations		**2,801**	**(1,118)**
Interest paid		(1,057)	(2,352)
Income and corporation tax (paid)/ received		(10)	418
Interest received		73	889
Cash flows generated from/(used in) operating activities		**1,807**	**(2,163)**
Investing activities			
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		(98)	-
Cash flows (used in)/generated from investing activities		**(98)**	**40,542**
Financing activities			
Purchase of own shares		(7)	-
Repayment of long term loans		(54)	-
Capital distribution		-	(58,934)
Cash flows used in financing activities		**(61)**	**(58,934)**
Net increase/(decrease) in cash and cash equivalents		1,648	(20,555)
Cash and cash equivalents at beginning of year		2,552	23,107
Cash and cash equivalents at end of year	12	**4,200**	**2,552**

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 closing of the placing on 24 June 2005 62,696,333 Shares were issued.

The Shares of the Company were admitted to trading on the London Stock Exchange's AIM market ("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 (2008 : £nil).

Property Valuation Policy
The Directors have appointed an internationally recognised firm of surveyors as property valuers for properties in 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 Convergence Property Company (Cayman) Limited	Cayman Islands	100%
ECPC (Cyprus) Limited	Cyprus	100%
European Convergence Property Company (Malta) Limited	Malta	100%
European Property Imobiliar Invest SRL	Romania	100%
European Property Development Corporation SRL	Romania	100%
Orange Convergence Finance BV	The Netherlands	100%
European Convergence Property Company Real Estate Trading and Management Limited	Turkey	100%

In the current year the Group sold its wholly owned subsidiaries Convergence Property Invest SRL, European Property Development Invest Srl, and European Property Acquisitions EOOD.

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 2009 comprises the Company and its subsidiaries (together referred to as the "Group").

The annual report was authorised for issue by the Directors on 30 November 2009.

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.

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) and the recoverability of receivable balances (see note 16).

The activities of the Group are subject to a number of risk factors. The global financial crisis and the deteriorating economic environment in the jurisdictions within which the Group operates have increased the intensity of these risk factors. The economic outlook presents specific challenges for the Group in terms of the significant reduction in the availability of loan finance for property transactions in the jurisdictions and the consequent impact on the valuations of investment property held (see note 10).

In the current market conditions which prevail, there is a greater degree of uncertainty as to the valuation of property assets than that which exists in a more active and stronger market.

These factors have also increased the uncertainty as to the recoverability of amounts due to the Group. In particular the Group is yet to reach agreement in respect of deferred sales proceeds due (see note 16).

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 Significant Accounting Policies 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.

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 Significant Accounting Policies 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 2009 (2008: 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 2009 and 2008 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 Significant Accounting Policies 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

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following relevant standards and interpretations with an effective date after the date of these financial statements, but the Group has not early adopted them:

International Accounting Standards (IAS/IFRS)		Effective for accounting periods starting on or after
IAS 1	Presentation of Financial Statements (Revised)	1 January 2009
IAS 23	Amendment – Borrowing costs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Amended)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (Revised)	1 January 2009
IAS 40	Investment Property (Revised)	1 January 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Revised)	1 July 2009
IFRS 7	Financial Instruments: Disclosures (Amended)	1 January 2009
IFRS 8	Operating segments	1 January 2009

Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2010 consolidated financial statements, is expected to impact on the presentation of the consolidated financial statements but will not affect the accounting policies adopted. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

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 anticipate that the adoption of the other standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

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 two principal geographical areas, Bulgaria and Romania. The location of the customers is the same as the location of the assets.

Year ended 30 June 2009	Bulgaria €'000	Romania €'000	Unallocated €'000	Total €'000
Net rent and associated income	2,733	-	-	2,733
Segment results	(8,027)	132	1,333	(6,562)
Segment assets	26,007	-	4,701	30,708
Segment liabilities	(19,580)	-	(1,856)	(21,436)

Notes to the Consolidated Financial Statements continued

4 Segment Reporting continued

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)

5 Net Rent and Related Income

	2009 €'000	2008 €'000
Gross lease payments collected/accrued	2,733	4,374

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

	2009 €'000	2008 €'000
Less than one year	343	428
Between one and five years	-	-
More than five years	-	-
	343	428

The Group has raised specific provisions for doubtful debts of €nil (2008: €125,685) against rental income.

6 Net Financing Expense

	2009 €'000	2008 €'000
Interest income	73	889
Financial income	73	889
Gross interest expense	(1,057)	(1,880)
Bank charges	-	(472)
Financial expenses	(1,057)	(2,352)
Net financing expense	(984)	(1,463)

7 Net Asset Value per Share

The net asset value per share as at 30 June 2009 is €0.1481 based on net assets of €9,271,455 and 62,616,333 ordinary shares in issue (30 June 2008: €0.2525 based on 62,696,333 shares).

8 Related Party Transactions

8.1 Directors of the Company

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

Notes to the Consolidated Financial Statements continued

8 Related Party Transactions continued

8.1 Directors of the Company continued

Charlemagne Capital (Investments) Limited, an entity associated with the Manager, by way of being a subsidiary of Charlemagne Capital Limited, holds 97,479 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.

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 2009 amounted to €405,956 (2008: €1,108,733).

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.

As a result of losses made by the Group for the year ended 31 June 2009, performance fees of €1,304,856 were reversed (2008: expense of €1,395,673).

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 €42,512 (£30,000).

Advisory fees payable to the Nominated Adviser and Broker for the year ended 30 June 2009 amounted to €42,512 (2008: €89,446).

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.

Notes to the Consolidated Financial Statements continued

9 Charges and Fees continued

9.3 Administrator and Registrar fees

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 2009 amounted to €6,938 (2008: €7,050).
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 €2,125, 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 €3,750. 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.

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 2009 amounted to €52,125 (2008: €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 2009 amounted to €100,588 (2008: €81,502).

10 Investment Property

	30 June 2009 Group €000	30 June 2008 Group €'000
At beginning of year	31,560	131,971
Disposals through sale of subsidiaries	-	(99,471)
Net loss from fair value adjustments on investment property	(7,960)	(940)
Balance at end of year	**23,600**	**31,560**

The investment property was valued by an independent third party, SHM Smith Hodgkinson (Romania) Srl based on discounted cash flow valuation technique.

As at 30 June 2009, there was a first rank mortgage on the above property securing the bank loans of €19.2 million (see note 15).

Notes to the Consolidated Financial Statements continued

11 Property, Plant & Equipment

	Group Fixtures & Fittings €'000
Net book amount at 1 July 2008	-
Additions	98
Depreciation charge	-
Net book amount at 30 June 2009	**98**
Net book amount at 30 June 2008	**-**

There were no impairment charges in 2009.

12 Cash and Cash Equivalents

	Group 30 June 2009 €'000	Group 30 June 2008 €'000	Company 30 June 2009 €'000	Company 30 June 2008 €'000
Bank balances	4,200	2,552	2,154	1,175
Cash and cash equivalents	**4,200**	**2,552**	**2,154**	**1,175**

At 30 June 2009, €1.99m was held in a bank account with Alpha Bank subject to the terms of the loan agreement between Alpha Bank and the Company's Bulgarian subsidiary, under which all obligations to the Bank under the loan agreement must be fulfilled before the Bulgarian subsidiary is free to pay a dividend.

13 Capital and Reserves

Share capital

Ordinary Shares of €1.00 each	2009 Number	2009 €'000
In issue at the start of the year	62,696,333	3,762
Shares cancelled	(80,000)	(80)
In issue at 30 June 2009	62,616,333	3,682

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

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.

The Group does not have any externally imposed capital requirements.

Notes to the Consolidated Financial Statements continued

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 weighted average number of ordinary shares in issue during the year:

	2009	2008
(Loss)/profit attributable to equity holders of the Company (€'000)	(6,562)	8,835
Weighted average number of ordinary shares in issue (thousands)	62,652	62,696
Basic and diluted (loss)/earnings per share (€ per share)	(0.1047)	0.1409

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 21.

Non-current liabilities

	Group 30 June 2009 €'000	Group 30 June 2008 €'000
Secured bank loans	19,178	19,232

Terms and debt repayment schedule:

Loan Amount	Bank	Effective interest rate 30 June 2009	Final Maturity date
€19,178,382	Alpha Bank Sofia SA	6.085	October 2011

16 Receivables

	Group 30 June 2009 €'000	Group 30 June 2008 €'000	Company 30 June 2009 €'000	Company 30 June 2008 €'000
Trade receivables	229	208	-	-
Deferred sale proceeds	2,548	4,276	-	-
Other	33	26	6	12
Total trade and other receivables	**2,810**	**4,510**	**6**	**12**

The deferred sales proceeds were due to be received by the Group by 24 October 2008, in respect of the three properties sold in 2007. The acquiring company failed to release the proceeds on time, and failed to notify the Company of any claims that it had under the sales agreements for each of the properties until January 2009. Subsequent to year end provisional agreement has been reached for a settlement of €900,000 payable to the acquiring company in return for the release of the remaining net receivables to the Group. Full provision for the settlement of €900,000 has been made as at 30 June 2009. (see note 17).

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

Notes to the Consolidated Financial Statements continued

17 Trade and Other Payables

	Group 30 June 2009 €'000	Group 30 June 2008 €'000	Company 30 June 2009 €'000	Company 30 June 2008 €'000
Taxation	26	11	-	-
Trade payables	129	131	-	-
Rental deposits	-	-	-	-
Accruals	2,103	3,229	101	65
Other	-	-	-	-
Total	**2,258**	**3,371**	**101**	**65**

Accruals include a performance fee of €973,566 and other accruals of €1,129,985 (2008 - €2.278m and €951k respectively). Other accruals include a provision of €900,000 against the deferred sales proceeds. See note 16.

18 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 30 June 2009:

Bulgarian Lev	1.9558
Turkish Lira	2.1437

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 incurred in relation to their appointment. Total fees and expenses paid to the Directors for the year ended 30 June 2009 amounted to €90,000 (2008: €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 2009 €'000	Year to 30 June 2008 €'000
Current tax expense/(credit)	10	(418)
Movement in deferred tax liability	(187)	(4,858)
Income tax credit for the year	(177)	(5,276)

Reconciliation of effective tax	Year to 30 June 2009 €'000	Year to 30 June 2008 €'000
Accounting (loss)/gain	(6,739)	3,559
Isle of Man taxation at 0%	-	-
Foreign capital gains tax credit	(177)	(5,276)
Income tax	(177)	(5,276)

Notes to the Consolidated Financial Statements continued

20 Taxation continued

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 2009 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.

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's strategy on the management of market price risk is driven by the Group's investment objective. The Group was established to invest primarily in income producing property assets in South East Europe. The main objective of the Group is to take advantage of the potential for capital appreciation of these investments. The Group market risk is monitored by the Manager on a day to day basis and by the Directors at Board Meetings.

Notes to the Consolidated Financial Statements continued

21 Financial Instruments continued

Price risk continued

The Group is exposed to property price and property rental risk. The value of the property held at 30 June 2009 is disclosed in note 10. The Group's strategy is to invest in property assets and then sell them for gain. However as a result of current global economic conditions (see note 3.1), the property market in Romania and Bulgaria has declined. The Group therefore expects that it will hold the assets for a substantial period post completion. This further exposes the Group to property rental risk.

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 Bulgarian Lev.

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 2009	Assets	Liabilities	Net Assets
	€000	€000	€000
Bulgarian Lev	2,309	(121)	2,188
Euro	28,399	(21,315)	7,084
Total	**30,708**	**(21,436)**	**9,272**

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

At 30 June 2009 there are no remaining Romanian Lei assets and whilst the Bulgarian Lev is pegged to the Euro, there is no significant foreign exchange.

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.

Notes to the Consolidated Financial Statements continued

21 Financial Instruments continued

Interest rate risk continued

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:

30 June 2009	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	-	-	-	-	-	2,810	2,810
Cash and cash equivalents	4,200	-	-	-	-	-	4,200
Total financial assets	4,200	-	-	-	-	2,810	7,010
Financial liabilities							
Interest bearing loans	-	-	-	(19,178)	-	-	(19,178)
Trade and other payables	-	-	-	-	-	(2,258)	(2,258)
Total financial liabilities	-	-	-	(19,178)	-	(2,258)	(21,436)
Total interest rate sensitivity gap	4,200	-	-	(19,178)	-		

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)	-		

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 €0.70m (2008: €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 2009 €'000	30 June 2008 €'000
Trade and other receivables	2,810	4,510
Cash at bank	4,200	2,552
	7,010	7,062

As stated within note 16, subsequent to year end the Group reached provisional agreement in respect ofrecovery of the deferred sales proceeds due.

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	-	509	800	949	-	-	2,258
Interest bearing loans and borrowings	-	-	-	19,178	-	-	19,178

Comparatives as at 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	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

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.

Notes to the Consolidated Financial Statements continued

22 Investment Policy

The Company was established to invest in income producing property assets and late stage property developments in South East Europe. The Company originally invested in three such assets in Romania, which were subsequently sold, and one in Bulgaria which remains in ownership.

The Company uses borrowings in relation to its investments. The debt to equity ratio differs in respect of each investment but may be as high as 75:25 at the time of making the investment. By utilising gearing in this way, if the value of the Company's assets declines then the effect of this gearing will be to have a disproportionately negative impact on the value of the group's assets and the debt to equity ratio may exceed 75:25.

The Company was conceived as a one-cycle investment vehicle, and intends to hold and manage its one remaining asset until divestment can be achieved at an acceptable level. The Company's intention is to achieve divestment of the remaining asset, and return cash to shareholders. No further property investment is anticipated.

At the annual general meeting of the Company to be held in 2012, the Directors shall propose an ordinary resolution that the Company ceases to continue in existence. If the resolution is not passed at such annual general meeting, then the Directors shall propose the same resolution at every fifth annual general meeting thereafter.

23 Post Balance Sheet Events

A settlement concerning the deferred sales proceeds has been agreed with the purchaser following the balance sheet date. The additional cost to the Company was adjusted in the results for the year.

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 31 December 2009 at 10.00 am 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 2009.
2. To re-appoint KPMG Audit LLC Isle of Man as Auditors of the Company for the year ending 30 June 2010.
3. To re-appoint Mr Erwin Brunner as a director who retires in accordance with Article 87.
4. Tor re-appoint Mr Donald Cecil McCrickard as a director who retires in accordance with Article 87.
5. To re-appoint Mr Alexander Anderson Whamond as a director who retires in accordance with Article 87.
6. To re-appoint Mr James Carew Rosapepe as a director who retires, in accordance with Article 87.

By Order of the Board
Ian Dungate
Secretary

Date: 30 November 2009

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 31 December 2009 at 10.00 am 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 2009 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 2009 be approved.			
2	THAT KPMG Audit LLC, Isle of Man be re-appointed the Auditors of the Company for the year ending 30 June 2010 at a fee to be approved by the Directors.			
3	To re-appoint Mr Erwin Brunner as a director			
4	To re-appoint Mr Donald Cecil McCrickard as a director			
5	To re-appoint Mr Alexander Anderson Whamond as a director			
6	To re-appoint James Carew Rosapepe as a director			

Dated: 2009

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.

Perivan Financial Print 216574