ECPC

European Convergence Property Company

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(Incorporated in the Isle of Man)

Consolidated Annual Report

31 December 2011

ISIN No. GB00B0B7ZC68

Contents

Management and Administration

Directors * independent	James C. Rosapepe (Non-executive Director) * Donald C. McCrickard (Non-executive Director) * Anderson A. Whamond (Non-executive Director) all of the registered office below
Registered Office	Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB British Isles
Manager	Charlemagne Capital (IOM) Limited St Mary's Court, 20 Hill Street Douglas Isle of Man IM1 1EU British Isles
Administrator and Registrar	Galileo Fund Services Limited Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN

Management and Administration continued

Subsidiaries	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 V. Dimech Street Floriana FRN 1504 Malta

Chairman's Statement

The Company's one remaining asset, Mall Veliko Turnovo, which is held in a Bulgarian subsidiary, was valued at the end of the year and the open market value was less than the bank debt secured against that asset. The loan matured in December 2011 and the lending bank issued a default notice and tried to foreclose on the loan for non payment of principle and take control of the Bulgarian subsidiary owning the Mall.

The Manager took action to protect the shareholders' interests resulting in the Bank agreeing to acquire, for a fixed sum, the Company's 100% interest in the Bulgarian subsidiary that owns the Mall.

The Bank and the Company have entered into a Memorandum of Understanding and the Bank is currently undertaking its due diligence. It is intended that the Bank will complete the share purchase in the Bulgarian subsidiary, however as at the date of this report the share purchase had not yet been finalised. Whilst the due diligence is being undertaken the Manager is continuing to operate the Mall but all cash generated from the operation is effectively going to the Bank.

The Board takes the view that while the Company legally owns the Bulgarian subsidiary, and continues to have significant influence over the subsidiary's financial and operating policy decisions, both directly and via the Manager, the actions taken by the Bank in 2011 culminating in the default notice issued in December are such that it is more meaningful to de-consolidate the Bulgarian subsidiary from the Group's accounts as at the 31 December 2011 for reporting purposes and for these report and accounts report it as a jointly controlled entity. The principal effect of this change in reporting is that the subsidiary's assets and liabilities are not consolidated into the Group's balance sheet.

The loan secured against the Mall is to the Bulgarian subsidiary and is on a non-recourse basis to the rest of the ECPC Group and as such it is secured only against the Mall, therefore the cash held in the rest of the Group is protected from any claim by the Bank.

It is the Company's intention, once the sale to the Bank has been completed to liquidate the Company and, after deducting all winding up costs, distribute any remaining cash to shareholders. Any distribution is likely to be very small.

On 19 April 2011 the adjourned Extraordinary General Meeting took place and it was resolved to cancel the Company's admission to trading on AIM. This, combined with the removal of the Company's cash custodian has helped reduce the ongoing running costs of the Company.

Anderson Whamond
Chairman
1 June 2012

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 31 December 2011.

Results and Dividends
The results and position of the Group and the position of the Company at the financial year end are set out on pages 8 to 13 of the financial statements.

The Directors do not intend to declare a dividend (18 month period ended 31 December 2010: €nil).

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

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.

At 31 December 2011 Charlemagne Capital (Investments) Limited (a subsidiary of Charlemagne Capital Limited, the parent of the Investment Manager) held 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
On 27 April 2011 trading in the Company's ordinary shares was cancelled on London Stock Exchange's Alternative Investments Market (AIM). 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 two 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 Directors' Report and the Consolidated 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's financial statements are required to give a true and fair view of the state of affairs of the Group and the 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 applicable International Financial Reporting Standards have been followed; 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 are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company. 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
Anderson Whamond
Chairman

1 June 2012

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

We have audited the financial statements of European Convergence Property Company plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2011 and of the Group's gain for the year then ended;
- have been properly prepared in accordance with IFRSs

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

1 June 2012

Consolidated Income Statement

	Note	Year ended 31 December 2011 €'000	1 July 2009 to 31 December 2010 €'000
Impairment of property plant and equipment		**-**	**(98)**
Net gain on de-consolidation of subsidiary	2	**4,847**	**-**
Net loss from fair value adjustment on investment property	10	**(2,923)**	**(7,400)**
Net rent and related income	5	**1,449**	**2,700**
Manager's fees	8.3	(119)	513
Audit and professional fees	9.5	(168)	(134)
Other expenses	9.4	(921)	(1,857)
Administrative expenses		**(1,208)**	**(1,478)**
Net operating gain/(loss) before net financing expense		**2,165**	**(6,276)**
Financial income	6	1,568	288
Financial expenses	6	(2,778)	(1,759)
Net financing expense		**(1,210)**	**(1,471)**
Gain/(loss) before tax		**955**	**(7,747)**
Income tax expense	18	(76)	-
Retained gain/(loss) for the year/period		**879**	**(7,747)**
Basic and diluted gain/(loss) per share (€)	13	**0.0140**	**(0.1237)**

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

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2011 €'000	1 July 2009 to 31 December 2010 €'000
Gain/(loss) for the year/period		879	(7,747)
Other comprehensive income			
Currency translation differences		-	(7)
Total comprehensive gain/(loss) for the year/period		**879**	**(7,754)**

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

Consolidated Balance Sheet

	Note	At 31 December 2011	At 31 December 2010
		€'000	€'000
Investment property	10	-	16,200
Total non-current assets		**-**	**16,200**
Trade and other receivables	15	6	261
Cash and cash equivalents	11	555	2,880
Total current assets		**561**	**3,141**
Total assets		**561**	**19,341**
Issued share capital	12	1,803	1,803
Retained earnings		(1,287)	(2,166)
Foreign currency translation reserve		2	2
Total equity		**518**	**(361)**
Interest-bearing loans and borrowings	10, 14	-	19,236
Trade and other payables	16	43	466
Total current liabilities		**43**	**19,702**
Total liabilities		**43**	**19,702**
Total equity & liabilities		**561**	**19,341**

Approved by the Board of Directors on 1 June 2012

Director **Director**

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

Company Balance Sheet

	Note	At 31 December 2011	18 month period ended 31 December 2010
		€'000	€'000
Investment in subsidiaries	2	-	-
Total non-current assets		**-**	**-**
Intragroup receivables	15	562	895
Trade and other receivables	15	6	8
Cash and cash equivalents	11	40	109
Total current assets		**608**	**1,012**
Total assets		**608**	**1,012**
Issued share capital	12	1,803	1,803
Retained profits		(1,285)	(878)
Total equity		**518**	**925**
Trade and other payables	16	90	87
Total current liabilities		**90**	**87**
Total liabilities		**90**	**87**
Total equity & liabilities		**608**	**1,012**

The gain recorded by the Company for the year ended 31 December 2011 was €838,429 (18 months to 31 December 2010: loss €6,465,700) after the impairment of intercompany balances.

Approved by the Board of Directors on 1 June 2012

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 2009	**3,682**	**5,581**	**9**	**9,272**
Loss for the period	-	(7,747)	-	(7,747)
Other comprehensive income				
Foreign exchange translation differences	-	-	(7)	(7)
Total comprehensive loss	**-**	**(7,747)**	**(7)**	**(7,754)**
Transactions with owners in the period				
Capital distribution	(1,879)	-	-	(1,879)
Total transactions with owners in the period	**(1,879)**	**-**	**-**	**(1,879)**
Balance at 31 December 2010	**1,803**	**(2,166)**	**2**	**(361)**

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	€'000	€'000	€'000	€'000
Balance at 1 January 2011	**1,803**	**(2,166)**	**2**	**(361)**
Gain for the year	-	879	-	879
Other comprehensive income				
Foreign exchange translation differences	-	-	-	-
Total comprehensive gain	**-**	**879**	**-**	**879**
Transactions with owners in the period	-	-	-	-
Capital distribution	-	-	-	-
Total transactions with owners in the period	**-**	**-**	**-**	**-**
Balance at 31 December 2011	**1,803**	**(1,287)**	**2**	**518**

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

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2011 €'000	Period ended 31 December 2010 €'000
Operating activities			
Group gain/(loss) for the year/period		879	(7,747)
Adjustments for:			
Impairment of property plant and equipment		-	98
Net loss from fair value adjustment on investment property		2,923	7,400
Net gain on de-consolidation of subsidiary		(4,847)	-
Financial income		(1,568)	(288)
Foreign currency translation differences		-	(7)
Financial expense		2,778	1,759
Income tax expense		76	-
Operating profit before changes in working capital		**241**	**1,215**
Decrease/(increase) in trade and other receivables		255	2,550
(Decrease) in trade and other payables		(423)	(1,793)
Cash generated from operations		**73**	**1,972**
Interest paid		(2,778)	(1,759)
Income and corporation tax paid		(76)	-
Interest received		1,568	288
Cash flows (used in)/generated from operating activities		**(1,213)**	**501**
Investing activities			
Deconsolidation of subsidiary companies		16,200	-
Impairment of subsidiary companies		(2,923)	-
Net gain on de-consolidation of subsidiary		4,847	-
Purchase of property, plant and equipment		-	-
Cash flows used in from investing activities		**18,124**	**-**
Financing activities			
Deconsolidation of long term loans		(19,236)	58
Capital distribution	12	-	(1,879)
Cash flows used in financing activities		**(19,236)**	**(1,821)**
Net decrease in cash and cash equivalents		(2,325)	(1,320)
Cash and cash equivalents at beginning of year/period		2,880	4,200
Cash and cash equivalents at end of year/period	11	**555**	**2,880**

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 a 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. On 27 April 2011 trading in the Company's ordinary shares was cancelled on AIM.

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. A second return of capital was made on 18 June 2010 returning a further €1.9m or €0.03 per share.

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 (18 month period to 31 December 2010: €nil).

Property Valuation Policy
The Directors have appointed an internationally recognised firm of surveyors as property valuers for the property in Bulgaria. It is the Directors' intention that the Company's property portfolio will receive a valuation from the Company's appointed property valuer on a regular basis.

Financial Year End
The financial year end of the Company is 31 December 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:-

31 December 2011	Country of incorporation	Percentage of shares held
European Convergence Property Company (Cayman) Limited	Cayman Islands	100%
ECPC (Cyprus) Limited	Cyprus	100%
European Convergence Property Company (Malta) Limited	Malta	100%

31 December 2010	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 Convergence Property Company Bulgaria EOOD was deconsolidated from the Group as a result of control being lost in December 2011 following a default on the loan with the Group. This deconsolidation has resulted in a gain to the Group of €4,847k.

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 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

The annual report was authorised for issue by the Directors on 1 June 2012.

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. Prior to the deconsolidation of the subsidiary the most significant area requiring estimation and judgement by the Directors is the valuation of investment property (see note 10).

The activities of the Group are subject to a number of risk factors. The global financial crisis and the challenging economic environment in the jurisdiction 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 jurisdiction and the consequent impact on the valuations of investment property held (see note 10).

As at 31 December 2011, the Group had net assets of €517,879. The Board believes that the Company remains a going concern.

Notes to the Consolidated Financial Statements continued

3 Significant Accounting Policies continued

3.1 Basis of presentation continued

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

The Company's year end has changed from 30 June to 31 December and consequently all comparative figures are for the last audited financial statements being the 18 month period ended 31 December 2010.

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 was 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 will value the remaining investment property on a regular basis. 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 Deposit interest
Deposit interest is accounted for on an accruals basis.

Notes to the Consolidated Financial Statements continued

3 Significant Accounting Policies continued

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

3.6 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.

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.

3.7 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.

3.8 Dividends
Dividends are recognised as a liability in the year in which they are declared and approved. There was no dividend declared as at 31 December 2011 (31 December 2010: €nil).

3.9 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 31 December 2011 and 31 December 2010 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.

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

Notes to the Consolidated Financial Statements continued

3 Significant Accounting Policies continued

3.11 Trade and other payables

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

3.12 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.

3.13 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.

3.14 Future changes in accounting policies

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2011.

a) Standards, amendments and interpretations to existing standards relevant to the Group, that are not yet effective and have not been early adopted by the Group.

Revised IAS 24 (revised), ‘Related party disclosures’, issued in November 2009. It supersedes IAS 24, ‘Related party disclosures’, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

‘Classification of rights issues’ (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 ‘Accounting policies, changes in accounting estimates and errors’. The Group will apply the amended standard from 1 January 2011.

IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or the parent entity’s financial statements.

IFRS 7, ‘Financial instruments’, effective 1 January 2011. Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

Notes to the Consolidated Financial Statements continued

3 Significant Accounting Policies continued

IAS 1, 'Presentation of financial statements', effective 1 January 2011. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27, 'Consolidated and separate financial statements', applicable to annual periods beginning on or after 1 July 2010. Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates',

IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2010, or earlier when IAS 27 is applied earlier.

b) *Standards, amendments and interpretations to existing standards relevant to the Group, that are not yet effective and have not been early adopted by the Group.*

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group is yet to assess IFRS 9's full impact.

IFRS 10, 'Consolidated financial statements', issued in May 2011. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This standard is applicable for periods beginning on or after 1 January 2013. The Group is yet to assess the full impact of IFRS 10, but the adoption may change the entities that are consolidated as subsidiaries from 1 January 2013. This standard has not yet been endorsed by the EU.

IFRS 12, 'Disclosure of interests in other entities', issued in May 2011. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard will be applicable for periods beginning or after 1 January 2013. The Group, subject to EU endorsement, will adopt this standard from 1 January 2013. It is not expected to have a significant impact on the Group.

IFRS 13, 'Fair value measurement', issued in May 2011. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is applicable for periods beginning on or after 1 January 2013. The Group is yet to assess IFRS 13's full impact. This standard has not yet been endorsed by the EU.

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

Notes to the Consolidated Financial Statements continued

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, and until deconsolidation of its Bulgarian subsidiary as at 31 December 2011 (see note 2) now operate in one principal geographical area Bulgaria. The location of the customers is the same as the location of the assets.

Year ended 31 December 2011	Bulgaria €'000	Unallocated €'000	Total €'000
Net rent and associated income	1,449	-	1,449
Segment results	1,268	(389)	839
Segment assets	-	561	561
Segment liabilities	-	(43)	(43)

Period ended 31 December 2010	Bulgaria €'000	Unallocated €'000	Total €'000
Net rent and associated income	2,700	-	2,700
Segment results	(7,921)	174	(7,747)
Segment assets	18,262	1,079	19,341
Segment liabilities	(19,460)	(242)	(19,702)

5 Net Rent and Related Income

	Year ended 31 December 2011 €'000	18 month period ended 31 December 2010 €'000
Gross lease payments collected/accrued	1,449	2,700

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

	Year ended 31 December 2011 €'000	18 month period ended 31 December 2010 €'000
Less than one year	1,449	2,700
Between one and five years	-	-
More than five years	-	-
	1,449	2,700

6 Net Financing Expense

	Year ended 31 December 2011 €'000	18 month period ended 31 December 2010 €'000
Interest income	1,568	288
Financial income	**1,568**	**288**
Gross interest expense	(2,778)	(1,759)
Financial expenses	**(2,778)**	**(1,759)**
Net financing expense	**(1,210)**	**(1,471)**

7 Net Asset Value per Share

The consolidated net asset value per share as at 31 December 2011 is €0.0083 based on net assets of €517,879 and 62,616,333 ordinary shares in issue (31 December 2010: €0.0000).

Notes to the Consolidated Financial Statements continued

8 Related Party Transactions

8.1 Directors of the Company

Anderson Whamond is a non-executive director of the Manager, and a shareholder of Charlemagne Capital Limited ("CCL"), the parent of the Manager and Placing Agent. Additionally, Mr Whamond has an indirect family interest in shares of CCL. There are no service agreements between Mr Whamond and CCL that are not determinable within one year.

Charlemagne Capital (Investments) Limited, an entity associated with the Manager, by way of being a subsidiary of Charlemagne Capital Limited, holds 97,478 ordinary shares and the Templeton World Charity Foundation, which is also managed by the Manager, holds 11,875,000 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's 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 31 December 2011 amounted to €119,609 (18 months to 31 December 2010: €460,178).

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.

Although performance fees are only payable following the distribution of amounts equivalent to amounts initially subscribed by shareholders, the Group's accounting policy is to accrue performance fees based on the net asset value of the Group. Previously as a result of losses made by the Group performance fees accrued were reversed and credited to the profit and loss account of the Group, the amount reversed and applied in the year to 31 December 2011 was €nil (31 December 2010: credit of €973,566).

Notes to the Consolidated Financial Statements continued

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 €34,093 (£30,000).

Advisory fees payable to the Nominated Adviser and Broker for the year ended 31 December 2011 amounted to €21,423 (18 months to 31 December 2010: €61,302).

The Company no longer requires a Nominated Adviser and Broker as it has been de-listed.

9.2 Custodian fees

The Company terminated the custodian agreement between the Company and the Custodian with effect from 31 December 2010. The Directors decided that, as the Company is fully invested, the services of a custodian are no longer necessary and no replacement custodian was therefore appointed

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 €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 31 December 2011 amounted to €30,600 (18 month period ended 31 December 2010: €44,625).

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 31 December 2011 amounted to €72,732 (18 month period to 31 December 2010: €56,125).

Notes to the Consolidated Financial Statements continued

10 Investment Property

	31 December 2011 Group €000	31 December 2010 Group €'000
At beginning of year/period	16,200	23,600
De-consolidation of subsidiaries	(13,277)	-
Net loss from fair value adjustments on investment property	(2,923)	(7,400)
Balance at end of year/period	**-**	**16,200**

The investment property was de-consolidated as at 31 December 2011 therefore at 31 December 2011 (see note 2), there was no mortgage on the above property (at 31 December 2010: €19.2 million).

11 Cash and Cash Equivalents

	Group 31 December 2011 €'000	Group 31 December 2010 €'000	Company 31 December 2011 €'000	Company 31 December 2010 €'000
Bank balances	555	2,880	40	109
Cash and cash equivalents	**555**	**2,880**	**40**	**109**

12 Capital and Reserves

Share capital

Ordinary Shares of €1.00 each	31 December 2011 Number	31 December 2011 €'000
In issue at the start of the year	62,616,333	1,803
Return of Capital	-	-
In issue at 31 December 2011	62,616,333	1,803

Ordinary Shares of €1.00 each	31 December 2010 Number	31 December 2010 €'000
In issue at the start of the period	62,616,333	3,682
Return of Capital	-	(1,879)
In issue at 31 December 2010	62,616,333	1,803

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

A return of capital of €1.879m million (€0.03 per share) was made to Shareholders on 18 June 2010.
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

13 Basic and Diluted Loss per Share

Basic and diluted loss per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period:

	31 December 2011	31 December 2010
Gain/(loss) attributable to equity holders of the Company (€'000)	879	(7,747)
Weighted average number of ordinary shares in issue (thousands)	62,616	62,616
Basic and diluted gain/(loss) per share (€ per share)	0.0140	(0.1237)

14 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.

Current liabilities

	Group 31 December 2011 €'000	Group 31 December 2010 €'000
Secured bank loans	-	19,236

15 Trade and other receivables

	Group 31 December 2011 €'000	Group 31 December 2010 €'000	Company 31 December 2011 €'000	Company 31 December 2010 €'000
Trade receivables	-	148	-	-
Other	6	113	6	8
Total trade and other receivables	**6**	**261**	**6**	**8**

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

Notes to the Consolidated Financial Statements continued

16 Trade and Other Payables

	Group 31 December 2011 €'000	Group 31 December 2010 €'000	Company 31 December 2011 €'000	Company 31 December 2010 €'000
Taxation	-	291	-	-
Trade payables	43	95	86	-
Accruals	-	80	4	87
Total	**43**	**466**	**90**	**87**

Accruals include a performance fee of €nil and other accruals of €3k (2010 - €nil and €169k respectively).

17 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 31 December 2011 amounted to €72,000 (18 months to 31 December 2010: €149,015).

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.

18 Taxation

Group income tax expense

	Year to 31 December 2011 €'000	18 months to 31 December 2010 €'000
Current tax expense	(76)	-
Movement in deferred tax liability	-	-
Income tax expense for the year/period	(76)	-

Reconciliation of effective tax	Year to 31 December 2011 €'000	18 months to 31 December 2010 €'000
Accounting gain/(loss)	879	(7,856)
Isle of Man taxation at 0%	-	-
Foreign withholding tax	(76)	-
Income tax	(76)	-

Notes to the Consolidated Financial Statements continued

18 Taxation continued

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.

19 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 the 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.

Prior to deconsolidation of the Bulgarian subsidiary (see notes 2 and 10) the Group was exposed to property price and property rental risk. The value of the property held at 31 December 2011 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 Bulgaria has declined.

Notes to the Consolidated Financial Statements continued

19 Financial Instruments continued

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:

31 December 2011	Assets	Liabilities	Net Assets
	€000	€000	€000
Bulgarian Lev	-		-
Euro	561	(43)	(518)
Total	**561**	**(43)**	**(518)**

31 December 2010	Assets	Liabilities	Net Assets
	€000	€000	€000
Bulgarian Lev	2,062	(330)	1,732
Euro	17,279	(19,372)	(2,093)
Total	**19,341**	**(19,702)**	**(361)**

At 31 December 2011 there are no remaining Romanian Lei or Bulgarian Lev assets, therefore there is no significant foreign exchange risk as at 31 December 2011.

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 had interest-bearing loans prior to the deconsolidation of the Bulgarian subsidiary (see notes 2 and 14). As a result, the Company was 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:

31 December 2011	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets							
Trade and other receivables	-	-	-	-	-	6	6
Cash and cash equivalents	555	-	-	-	-	-	555
Total financial assets	555	-	-	-	-	6	561
Financial liabilities							
Trade and other payables	-	-	-	-	-	(43)	(43)
Total financial liabilities	-	-	-	-	-	(43)	(43)
Total interest rate sensitivity gap	555	-	-	-	-		

Notes to the Consolidated Financial Statements continued

19 Financial Instruments continued

Interest rate risk continued

31 December 2010	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	-	-	-	-	-	261	261
Cash and cash equivalents	2,880	-	-	-	-	-	2,880
Total financial assets	2,880	-	-	-	-	261	3,141
Financial liabilities							
Interest bearing loans	-	-	(19,236)	-	-	-	(19,236)
Trade and other payables	-	-	-	-	-	(466)	(466)
Total financial liabilities	-	-	(19,236)	-	-	(466)	(19,702)
Total interest rate sensitivity gap	2,880	-	(19,236)	-	-		

If the interest rates to which the Group was exposed had been lower than those actually experienced by 25 basis points for the full year then this would have resulted in a decrease in profit for the year and net assets at the year end of €1,400 (31 December 2010: 25 basis points increase of €41,000). 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 year 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.

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

	31 December 2011 €'000	31 December 2010 €'000
Trade and other receivables	6	261
Cash at bank	555	2,880
	561	3,141

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.

Notes to the Consolidated Financial Statements continued

19 Financial Instruments continued

Liquidity risk continued

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

31 December 2011	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Other creditors and accrued expenses	-	43	-	-	-	-	43
Interest bearing loans and borrowings (note 14)	-	-	-	-	-	-	-

31 December 2010	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	No stated maturity	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Other creditors and accrued expenses	-	27	439	-	-	-	466
Interest bearing loans and borrowings (note 14)	-	-	19,236	-	-	-	19,236

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.

20 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 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.

21 Post Balance Sheet Events

The lending bank to the Company's Bulgarian subsidiary and the Company have entered into a Memorandum of Understanding and the Bank is currently undertaking its due diligence. It is intended that the Bank will complete the share purchase in the Bulgarian subsidiary for a fixed fee around the middle of May 2012.

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(*Incorporated in the Isle of Man on 1 June 2005 under number 002085V)*

(the "Company")

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles on 18 July 2012 at 11.30 a.m. to consider and if thought fit pass the following ordinary resolutions, namely:

ORDINARY BUSINESS

1. To receive and consider the Chairman's Statement, Report of the Investment Manager, Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year ended 31 December 2011.

2. To re-appoint KPMG Audit LLC Isle of Man as Auditors of the Company for the year ending 31 December 2012 at a fee to be approved by the Directors.

3. To re-appoint Mr Donald Cecil McCrickard as a director who retires in accordance with Article 87.

4. To re-appoint Mr Alexander Anderson Whamond as a director who retires in accordance with Article 87.

5. To re-appoint Mr James Carew Rosapepe as a director who retires, in accordance with Article 87.

SPECIAL BUSINESS

6 That, pursuant to Article 158 of the Company's Articles of Association, the Company shall cease to continue in existence.

By Order of the Board
Galileo Fund Services Limited as
Registered Agent

Date: 1 June 2012

Registered Office
Millennium House
46 Athol Street
Douglas
Isle of Man IM1 1JB
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 of the Company 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 above 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, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles (Attn: John Maher) Fax: 44 1624 692601 no later than 48 hours before the time appointed for holding the above Meeting.

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(*Incorporated in the Isle of Man on 1 June 2005 under number 002085V)*

(the "Company")

FORM OF PROXY

To be used for the Annual General Meeting of Company to be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles on 18 July 2012 at 11.30 a.m.:

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, John Maher as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 18 July 2012 at 11.30 a.m. and at any adjournment thereof.

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

ORDINARY BUSINESS	**FOR**	**AGAINST**	**ABSTAIN**
THAT the Chairman's Statement, Report of the Investment Manager, Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the twelve months ended 31 December 2011 be approved.			
THAT KPMG Audit LLC, Isle of Man be re-appointed the Auditors of the Company for the year ending 31 December 2012 at a fee to be approved by the Directors.			
To re-appoint Mr Donald Cecil McCrickard as a director who retires in accordance with Article 87.			
To re-appoint Mr Alexander Anderson Whamond as a director who retires in accordance with Article 87.			
To re-appoint Mr James Carew Rosapepe as a director who retires, in accordance with Article 87.			
SPECIAL BUSINESS			
That, pursuant to Article 158 of the Company's Articles of Association, the Company shall cease to continue in existence.			

Dated: 2012

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 of the Company 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, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles (Attn: John Maher) Fax: 44 1624 692601 no later than 48 hours before the time 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.*

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