



**EUROPEAN CONVERGENCE PROPERTY  
COMPANY PLC**

*(Incorporated in the Isle of Man)*

**Consolidated Interim Report**

Six Months ended 31 December 2007

*ISIN No. GB00B0B7ZC68*

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## 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

### Manager

Charlemagne Capital (IOM) Limited  
St Mary's Court  
20 Hill Street  
Douglas  
Isle of Man IM1 1EU

### Nominated Adviser and Broker

Panmure Gordon & Co  
Moorgate Hall  
155 Moorgate  
London EC2M 6XB

### Cash Custodian

Anglo Irish Bank Corporation (I.O.M.) P.L.C.  
Jubilee Buildings  
Victoria Street  
Douglas  
Isle of Man IM1 2SH

### Administrator and Registrar

Galileo Fund Services Limited  
(formerly Anglo Irish Fund Services Limited)  
Third Floor, Britannia House  
St George's Street  
Douglas  
Isle of Man IM1 1JE

### Placing Agent

Charlemagne Capital (UK) Limited  
39 St James's Street  
London SW1A 1JD

### Auditors

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

## Management and Administration continued

### Subsidiaries

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

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

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

ECPC (Cyprus) Limited  
27 Pindarou Street, 2/F  
Alpha Business Centre  
PC 1060 Nicosia  
Cyprus

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

European Property Development Invest SRL (sold August 2007)  
69-71 Soseaua Bucuresti-Ploiesti  
First Floor, Room No. 24  
Sector 1  
Bucharest  
Romania

Millennium Estates SRL (sold August 2007)  
2-4 Armand Calinescu Street, Millennium Business Center  
Ground Floor, Room P16  
Sector 2  
Bucharest  
Romania

## Management and Administration continued

### Subsidiaries continued

European Property Imobiliar Invest SRL  
69-71 Soseaua Bucuresti-Ploiesti  
First Floor, Room No. 24  
Sector 1  
Bucharest  
Romania

Paris Developments SRL (sold August 2007)  
69-71 Soseaua Bucuresti-Ploiesti  
First Floor, Room No. 24  
Sector 1  
Bucharest  
Romania

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

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

European Convergence Property Company  
Real Estate Trading and Management Limited  
Talatpasa Bulvari N:51  
D.4 Alsancak  
Izmir  
Turkey

## Chairman's Statement

Towards the end of 2007 the Company completed the sale of its Romanian investment properties to DEGI Deutsche Gesellschaft für Immobilienfonds m.b.H.

The three investment properties sold were Millennium Business Centre (purchase price, €52.6m), PGV Tower (€27.4m), and Construdava (€26.5m). These are all prime office locations based in Bucharest and their yields at point of sale were approximately 6.40%, 6.55%, and 7.20% respectively.

The net consideration for the disposals was approximately €110.5m (after transaction costs and adjustments of €5.5m for the net current assets of the trading companies being sold). The properties were acquired for a combined cost of €89.1m, and were re-valued earlier this year at €97.5m.

After repaying the external financing of the projects the Company was left with net proceeds of approximately €49.9m (prior to any adjustments for items such as deferred tax and management fees), which included a gain of approximately €15.9m on the initial equity investment. As at 31 December 2007 this increased the unaudited NAV per share to €1.21.

As previously reported we have seen considerable yield compression in the market and the Company decided not to pursue further acquisitions and instead to return the proceeds of the sale along with any un-invested cash to Shareholders.

With Shareholder approval and to facilitate an efficient mechanism for returning these monies to Shareholders, along with any un-invested cash, the Company was re-registered as a company governed by the Isle of Man Companies Act 2006 on 21 December 2007.

Following the re-registration, an initial return of capital of €58.9 million (€0.94 per share) was made to Shareholders on 31 January 2008.

In relation to the Company's remaining asset Mall Veliko Turnovo, in Bulgaria; a number of offers have been considered and rejected. The Company is hopeful that a sale can be concluded in the near future. The property is currently carried at fair value measured as at its last revaluation date of January 2007.

**Erwin Brunner**  
Chairman

28 March 2008

## Consolidated Income Statement

	Note	(Unaudited) 1 July 2007 to 31 December 2007 €'000	(Unaudited) 1 July 2006 to 31 December 2006 €'000	(Audited) Year ended 30 June 2007 €'000
<b>Realised gain on sale of investment property</b>		<b>6,871</b>	-	-
<b>Net gain from fair value adjustment on investment property</b>	6	-	-	<b>13,124</b>
<b>Net rent and related income</b>		<b>9,429</b>	<b>1,278</b>	<b>5,766</b>
Manager's fees		(2,354)	(563)	(2,343)
Audit and professional fees		(1,433)	(127)	(258)
Other expenses		(7,615)	(578)	(1,771)
<b>Administrative expenses</b>		<b>(11,402)</b>	<b>(1,268)</b>	<b>(4,372)</b>
<b>Net operating profit before net financing income</b>		<b>4,898</b>	<b>10</b>	<b>14,518</b>
Financial income		648	423	743
Financial expenses		(3,074)	(370)	(2,923)
<b>Net financing income/(expense)</b>		<b>(2,426)</b>	<b>53</b>	<b>(2,180)</b>
<b>Profit before tax</b>		<b>2,472</b>	<b>63</b>	<b>12,338</b>
Income tax expense	10	4,715	(290)	(5,890)
<b>Retained profit/(loss) for the year</b>		<b>7,187</b>	<b>(227)</b>	<b>6,448</b>
<b>Basic and diluted profit/(loss) per share (€)</b>	7	<b>0.1146</b>	<b>(0.0036)</b>	<b>0.1028</b>

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

## Consolidated Balance Sheet

	Note	(Unaudited) At 31 December 2007 €'000	(Unaudited) At 31 December 2006 €'000	(Audited) At 30 June 2007 €'000
Investment property	6	32,550	80,217	131,971
Property, plant and equipment		44	-	62
<b>Total non-current assets</b>		<b>32,594</b>	<b>80,217</b>	<b>132,033</b>
Trade and other receivables		6,494	5,208	3,977
Cash and cash equivalents		60,643	25,132	23,107
<b>Total current assets</b>		<b>67,137</b>	<b>30,340</b>	<b>27,084</b>
<b>Total assets</b>		<b>99,731</b>	<b>110,557</b>	<b>159,117</b>
Issued share capital		62,696	62,696	62,696
Retained earnings/(losses)		10,422	(3,440)	3,235
Foreign currency translation reserve		3,314	168	1,758
<b>Total equity</b>		<b>76,432</b>	<b>59,424</b>	<b>67,689</b>
Interest-bearing loans and borrowings	8	19,175	50,008	80,108
Rental guarantees		125	-	-
Deferred tax liability		280	-	5,045
<b>Total non-current liabilities</b>		<b>19,580</b>	<b>50,008</b>	<b>85,153</b>
Trade and other payables		3,719	1,125	6,275
<b>Total current liabilities</b>		<b>3,719</b>	<b>1,125</b>	<b>6,275</b>
<b>Total liabilities</b>		<b>23,799</b>	<b>51,133</b>	<b>91,428</b>
<b>Total equity &amp; liabilities</b>		<b>99,731</b>	<b>110,557</b>	<b>159,117</b>

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



## Consolidated Statement of Changes in Equity

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	€'000	€'000	€'000	€'000
Balance at 1 July 2006	<b>62,696</b>	<b>(3,213)</b>	<b>(122)</b>	<b>59,361</b>
Foreign exchange translation differences	-	-	290	290
Retained profit for the period	-	(227)	-	(227)
<b>Balance at 31 December 2006</b>	<b>62,696</b>	<b>(3,440)</b>	<b>168</b>	<b>59,424</b>
Balance at 1 July 2006	<b>62,696</b>	<b>(3,213)</b>	<b>(122)</b>	<b>59,361</b>
Foreign exchange translation differences	-	-	1,880	1,880
Retained profit for the year	-	6,448	-	6,448
<b>Balance at 30 June 2007</b>	<b>62,696</b>	<b>3,235</b>	<b>1,758</b>	<b>67,689</b>
Balance at 1 July 2007	<b>62,696</b>	<b>3,235</b>	<b>1,758</b>	<b>67,689</b>
Foreign exchange translation differences	-	-	1,556	1,556
Retained profit for the period	-	7,187	-	7,187
<b>Balance at 31 December 2007</b>	<b>62,696</b>	<b>10,422</b>	<b>3,314</b>	<b>76,432</b>

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

## Consolidated Cash Flow Statement

	(Unaudited) For the period from 1 July 2007 to 31 December 2007 €'000	(Unaudited) For the period from 1 July 2006 to 31 December 2006 €'000	(Audited) Year ended 30 June 2007 €'000
<b>Operating activities</b>			
Group profit/(loss) for the period	7,187	(227)	6448
Adjustments for:			
Net gain from sale of investment property	(6,871)	-	-
Net gain from fair value adjustment on investment property	(648)	-	(13,124)
Financial income	3,074	(423)	(743)
Foreign currency translated	1,556	-	1,880
Financial expense	-	370	2,923
Depreciation	18		
Income tax expense	(4,715)	290	5,890
<b>Operating profit/(loss) before changes in working capital</b>	<b>(3,473)</b>	<b>10</b>	<b>3,284</b>
(Increase)/decrease in trade and other receivables	(2,517)	973	(3,696)
Increase/(decrease) in trade and other payables	(2,431)	119	5,108
<b>Cash generated from/(used in) operations</b>	<b>(5,347)</b>	<b>1,102</b>	<b>4,696</b>
Interest paid	(3,074)	(370)	(2,923)
Income and corporation tax paid	(50)	(158)	(852)
Interest received	648	423	743
<b>Cash flows generated from/(used in) operating activities</b>	<b>(7,823)</b>	<b>997</b>	<b>1,664</b>
<b>Investing activities</b>			
Staged payments relating to property acquisitions		(55,695)	(88,425)
Sale of investment property	106,292	-	-
Purchase of property, plant and equipment	-	-	(62)
<b>Cash flows used in investing activities</b>	<b>106,292</b>		<b>(88,487)</b>
<b>Financing activities</b>			
Proceeds from the issue of ordinary share capital	-	-	-
Proceeds from long term loans	-	36,258	67,108
Repayment of long term loans	(60,933)	-	(750)
Share issue expenses	-	-	-
<b>Cash flows generated from financing activities</b>	<b>(60,933)</b>	<b>36,258</b>	<b>66,358</b>
Net (decrease)/increase in cash and cash equivalents	37,536	(18,440)	(20,465)
Cash and cash equivalents at beginning of period	23,107	43,572	43,572
<b>Cash and cash equivalents at end of period</b>	<b>60,643</b>	<b>25,132</b>	<b>23,107</b>

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

## Notes to the Consolidated Financial Statements (Unaudited)

### 1 The Company

European Convergence Property Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 1 June 2005 as a public company with registered number 113616C.

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

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

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

### 2 The Subsidiaries

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

	Country of incorporation	Percentage of shares held
European Convergence Property Company Bulgaria EOOD	Bulgaria	100%
European Property Acquisitions 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 SRL <sup>1</sup>	Romania	100%
Paris Development SRL <sup>1</sup> (sold August 2007)	Romania	100%
European Property Development Invest SRL (sold August 2007)	Romania	100%
European Property Millenium SRL <sup>2</sup>	Romania	100%
Millennium Estates SRL <sup>2</sup> (sold August 2007)	Romania	100%
European Property Imobiliar Invest SRL	Romania	100%
European Property Development Corporation SRL	Romania	100%
Convergence Property Invest SRL	Romania	100%
Orange Convergence Finance BV	The Netherlands	100%
European Convergence Property Company Real Estate Trading and Management Limited	Turkey	100%

<sup>1</sup> During the year European Convergence Property Company SRL was merged with Paris Developments SRL subsequent to which, European Convergence Property Company SRL was deregistered on 7 November 2006.

<sup>2</sup> During the year European Property Millenium SRL was merged with Millennium Estate SRL and consequently, European Property Millenium SRL is currently in the process of being deregistered.

### 3 Significant Accounting Policies

The interim consolidated financial statements of the Company for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

## Notes to the Consolidated Financial Statements (Unaudited) continued

### 3.1 Basis of presentation

These interim financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting Accounting. Policies have been applied on a consistent basis as those adopted for the last financial statements.

### 3.2 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.

### 3.3 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.

### 3.4 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 2007 (30 June 2007: Nil).

## 4 Segment Reporting

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

<b>6 months ended 31 December 2007</b>	Bulgaria	Romania	Turkey	Unallocated	Total
	€'000	€'000	€'000	€'000	€'000
Net rent and associated income	1,303	8,216	-	8,126	9,429
Segment results	(111)	3,041	(2)	4,259	7,187
Segment assets	31,371	-	-	68,360	99,731
Segment liabilities	(19,817)	-	(23)	(3,459)	(23,299)

## Notes to the Consolidated Financial Statements (Unaudited) continued

<b>6 months ended 31 December 2006</b>	Bulgaria €'000	Romania €'000	Turkey €'000	Unallocated €'000	Total €'000
Net rent and associated income	-	1,278	-	-	1,278
Segment results	(22)	196	-	(401)	(227)
Segment assets	30,012	61,770	-	18,775	110,557
Segment liabilities	(13,011)	(37,688)	-	(434)	(51,133)
<b>Year ended 30 June 2007</b>	Bulgaria €'000	Romania €'000	Turkey €'000	Unallocated €'000	Total €'000
Net rent and associated income	1,660	4,106	-	-	5,766
Segment results	2,223	6,119	(6)	(1,888)	6,448
Segment assets	33,846	107,380	-	17,891	159,117
Segment liabilities	(19,973)	(70,040)	-	(1,415)	(91,428)

### 5 Net Asset Value per Share

The net asset value per share as at 31 December 2007 is €1.21 based on net assets of €75.9 million and 62,696,333 ordinary shares in issue.

### 6 Investment Property

	31 December 2007 Group €'000	31 December 2006 Group €'000	30 June 2006 Group €'000
At beginning of period	131,971	24,522	24,522
Additions through:			
direct acquisitions of property	-	55,695	94,325
acquisition of subsidiary companies	-	-	-
Disposals	99,421	-	-
Net gain from fair value adjustments on investment property	-	-	13,124
<b>Balance at end of period</b>	<b>32,550</b>	<b>80,217</b>	<b>131,971</b>

#### Security

At 31 December 2007, there was a first rank mortgage on the above properties securing the bank loans of €19 million.

### 7 Basic and Diluted Earnings/(Loss) per Share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of ordinary shares in issue during the period:

	31 December 2007	31 December 2006	30 June 2007
Profit attributable to equity holders of the Company (€'000)	7,187	(227)	6,448
Number of ordinary shares in issue (thousands)	62,696	62,696	62,696
Basic and diluted earnings per share (€ per share)	0.1146	(0.0036)	0.1028

## Notes to the Consolidated Financial Statements (Unaudited) continued

### 8 Interest-Bearing Loans and Borrowings

This note provides information about the Group's interest-bearing loans and borrowings.

#### *Non-current liabilities*

	Group 31 December 2007 €'000	Group 31 December 2006 €'000	Group 30 June 2007 €'000
Secured bank loans	19,175	50,008	80,108

### 9 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 31 December 2007:

Bulgarian Lev	1.9558
Romanian Lei	3.6082
Turkish Lira	1.7042

### 10 Taxation

#### *Income tax expense*

	Group €'000
Current tax	50
Deferred tax	(4,765)
	(4,715)

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 is based on the capital gains tax rate of 16% in Romania and 10% in Bulgaria.

### 11 Commitments at the Balance Sheet Date

There were no material commitments as at the balance sheet date.

### 12 Post Balance Sheet Events

At the end of January 2008 the Company made a capital distribution to shareholders of €0.94 per share.