



**EUROPEAN CONVERGENCE PROPERTY
COMPANY PLC**

(Incorporated in the Isle of Man)

Consolidated Interim Report

Six Months ended 31 December 2008

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

Administrator and Registrar

Galileo Fund Services Limited
Third Floor, Britannia House
St George's Street
Douglas
Isle of Man IM1 1JE
British Isles

Placing Agent

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

Auditors

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

Management and Administration continued

Subsidiaries	Indirect subsidiary	European Convergence Property Company Bulgaria EOOD 9A Pozitano Street, Floor 5, Office 16 Triaditsa Region Sofia Bulgaria
	Indirect subsidiary	European Property Acquisitions EOOD ¹ 37 Fridtjof Nansen Street Sredets Region Sofia 1142 Bulgaria
	Direct subsidiary	European Convergence Property Company (Cayman) Limited PO Box 309, Ugland House Grand Cayman Cayman Islands British West Indies
	Indirect subsidiary	ECPC (Cyprus) Limited 12 Esperidon Street, 4/F PC 1087 Nicosia Cyprus
	Indirect subsidiary	European Convergence Property Company (Malta) Limited 48 Sqaq Nr 2 Triq ix-Xatt Pieta MSD08 Malta
	Indirect subsidiary	European Property 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, Strawinskyiaan 3105 1077 ZX Amsterdam The Netherlands

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

Management and Administration continued

Subsidiaries continued	Indirect subsidiary	European Convergence Property Company Real Estate Trading and Management Limited Talatpasa Bulvari N:51, D.4 Alsancak Izmir Turkey
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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 interim period and to the date of this report there were two events of note specific to the Company.

Independent valuations of Mall Veliko Turnovo 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) were carried out as at 31 December 2008. 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 has been reflected in the Interim Financial Statements. This valuation showed a decrease of €3.7m from the previous valuation, reflecting the impact on the retail property investment market in Bulgaria resulting from the current global credit restrictions and economic conditions.

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. The Company's Investment Manager is assessing these claims and is taking both legal and technical advice but, with the exception of a claim for €0.8 million for which provision was made in the accounts for financial year ended 30 June 2008, the Directors do not believe that the claims, which were in any event made after the contractual deadline, have been or can be adequately substantiated and are vigorously resisting them.

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 through 2009, is putting pressure on rental and occupancy levels but the Company will continue to do all that it considers reasonably necessary to see the asset through to an improved investment market.

The consolidated net assets of the Company as at 31 December 2008 were €12.995m, giving a net asset value of €0.21 per share.

Erwin Brunner

Chairman

16 March 2009

Consolidated Income Statement

	Note	(Unaudited) 1 July 2008 to 31 December 2008 €'000	(Unaudited) 1 July 2007 to 31 December 2007 €'000
Realised gain on sale of investment property		-	6,871
Net loss from fair value adjustment on investment property	9	(3,660)	-
Net rent and related income		1,467	9,429
Manager's fees credit/(expense)		425	(2,354)
Audit and professional fees		(203)	(1,433)
Other expenses		(428)	(7,615)
Administrative expenses		(206)	(11,402)
Net operating (loss)/profit before net financing expense		(2,399)	4,898
Financial income		35	648
Financial expenses		(651)	(3,074)
Net financing expense		(616)	(2,426)
(Loss)/profit before tax		(3,015)	2,472
Income tax credit	16	181	4,715
Retained (loss)/profit for the period		(2,834)	7,187
Basic and diluted (loss)/profit per share (€)	8	(0.0452)	0.1146

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

Consolidated Balance Sheet

	Note	(Unaudited) At 31 December 2008 €'000	(Audited) At 30 June 2008 €'000
Investment property	9	27,900	31,560
Property, plant and equipment		7	-
Total non-current assets		27,907	31,560
Trade and other receivables	10	4,592	4,510
Cash and cash equivalents	11	2,415	2,552
Total current assets		7,007	7,062
Total assets		34,914	38,622
Issued share capital		3,682	3,762
Retained earnings		9,309	12,070
Foreign currency translation reserve		4	-
Total equity		12,995	15,832
Interest-bearing loans and borrowings	12	19,172	19,232
Deferred tax liability		10	187
Total non-current liabilities		19,182	19,419
Trade and other payables	13	2,737	3,371
Total current liabilities		2,737	3,371
Total liabilities		21,919	22,790
Total equity & liabilities		34,914	38,622

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
Foreign exchange translation differences	-	-	1,556	1,556
Retained profit for the period	-	7,187	-	7,187
Balance at 31 December 2007	62,696	10,422	3,314	76,432
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	-	-	4	4
Retained loss for the period	-	(2,834)	-	(2,834)
Balance at 31 December 2008	3,682	9,309	4	12,995

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

Consolidated Cash Flow Statement

	(Unaudited) For the period from 1 July 2008 to 31 December 2008 €'000	(Unaudited) For the period from 1 July 2007 to 31 December 2007 €'000
Operating activities		
Group (loss)/profit for the period	(2,834)	7,187
Adjustments for:		
Net gain from sale of investment property	-	(6,871)
Net loss from fair value adjustment on investment property	3,660	-
Financial income	(35)	(648)
Financial expenses	651	3,074
Foreign currency translated	4	1,556
Depreciation	-	18
Income tax credit	(181)	(4,715)
Operating profit/(loss) before changes in working capital	1,265	(399)
Increase in trade and other receivables	(82)	(2,517)
Decrease in trade and other payables	(641)	(2,431)
Cash generated from/(used in) operations	542	(5,347)
Interest paid	(651)	(3,074)
Income and corporation tax received/(paid)	11	(50)
Interest received	35	648
Cash flows used in operating activities	(63)	(7,823)
Investing activities		
Sale of investment property	-	106,292
Purchase of property, plant and equipment	(7)	-
Cash flows (used in)/generated from investing activities	(7)	106,292
Financing activities		
Purchase of own shares	(7)	-
Repayment of long term loans	(60)	(60,933)
Cash flows used in financing activities	(67)	(60,933)
Net (decrease)/increase in cash and cash equivalents	(137)	37,536
Cash and cash equivalents at beginning of period	2,552	23,107
Cash and cash equivalents at end of period	11	60,643

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

Notes to the Unaudited Consolidated Financial Statements

1 The Company

European Convergence Property Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 1 June 2005 as a public company with registered number 113616C. On 21 December 2007 with the approval of Shareholders in general meeting, the Company was re-registered as a company under the Isle of Man Companies Act 2006 with registered number 002085v.

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

The Shares of the Company were admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") on 28 June 2005 when dealings also commenced. During the period the Company purchased for cancellation 80,000 Ordinary Shares in the Company at a price before expenses of €0.09. The buyback was effected through retained reserves. As at 31 December 2008 there are 62,616,333 Ordinary Shares in issue.

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.

2 The Subsidiaries

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

	Country of incorporation	Percentage of shares held
European Convergence Property Company Bulgaria EOOD	Bulgaria	100%
European Property Acquisitions EOOD ¹	Bulgaria	100%
European Convergence Property Company (Cayman) Limited	Cayman Islands	100%
ECPC (Cyprus) Limited	Cyprus	100%
European Convergence Property Company (Malta) Limited	Malta	100%
European Property 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%

¹ During the period to 31 December 2008, European Property Acquisitions EOOD, a dormant company, was sold for nominal value.

3 Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements for the year ended 30 June 2008. The Interim report of the Company for the period ending 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

Notes to the Unaudited Consolidated Financial Statements continued

These interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34: Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2008.

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.

6 months ended 31 December 2008	Bulgaria	Romania	Turkey	Unallocated	Total
	€'000	€'000	€'000	€'000	€'000
Net rent and associated income	1,467	-	-	-	1,467
Segment results	(3,238)	-	-	404	(2,834)
Segment assets	29,734	4,270	-	910	34,914
Segment liabilities	(19,226)	(800)	-	(1,893)	21,919

6 months ended 31 December 2007	Bulgaria	Romania	Turkey	Unallocated	Total
	€'000	€'000	€'000	€'000	€'000
Net rent and associated income	1,303	-	-	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)

Year ended 30 June 2008	Bulgaria	Romania	Turkey	Unallocated	Total
	€'000	€'000	€'000	€'000	€'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 Asset Value per Share

The net asset value per share as at 31 December 2008 is €0.2075 based on net assets of €13.0 million and 62,616,333 ordinary shares in issue (30 June 2008: €0.2525 based on 62,696,333 shares in issue).

6 Related Party Transactions

6.1 Directors of the Company

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

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

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

Notes to the Unaudited Consolidated Financial Statements continued

6.2 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.

6.3 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 period ended 31 December 2008 amounted to €223,294 (31 December 2007: €812,889).

Performance fees

The Manager is entitled to a performance fee equal to 15% of the total profits generated by the Company. In order for the performance fee to be payable, the Company must firstly have returned to its Shareholders an amount equal to the amount subscribed pursuant to the Placing (ignoring any initial charge paid by Shareholders). Thereafter the Manager shall be entitled to 15% of any further distributions of profit or capital. In determining amounts paid to Shareholders and the amount payable to the Manager pursuant to the performance fee full account will be taken of any dividends paid, other distributions made and distributions made on a winding up of the Company.

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

Performance fee accrual released during the period ended 31 December 2008 amounted to €647,772 (31 December 2007: accrued €1,541,211).

7 Charges and Fees

7.1 Nominated Adviser and Broker fees

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

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

Advisory fees payable to the Nominated Adviser and Broker for the period ended 31 December 2008 amounted to €22,855 (31 December 2007: €26,197).

7.2 Custodian fees

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

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

Custodian fees payable for the period ended 31 December 2008 amounted to €3,488 (31 December 2007: €3,525).

Notes to the Unaudited Consolidated Financial Statements continued

7.3 Administrator and Registrar fees

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

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

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

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 period ended 31 December 2008 amounted to €34,875 (31 December 2007: €35,250).

7.4 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.

7.5 Audit fees

Audit fees payable for the period ended 31 December 2008 amounted to €33,759 (31 December 2007: €25,594).

8 Basic and Diluted (Loss)/Earnings per Share

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

	31 December 2008	31 December 2007
(Loss)/Profit attributable to equity holders of the Company (€'000)	(2,834)	7,187
Weighted average number of ordinary shares in issue (thousands)	62,688	62,696
Basic and diluted (loss)/earnings per share (€ per share)	(0.0452)	0.1146

9 Investment Property

	31 December 2008 €'000	30 June 2008 €'000
At beginning of period	31,560	131,971
Additions	-	-
Disposals	-	(99,471)
Net loss from fair value adjustments on investment property	(3,660)	(940)
Balance at end of period	27,900	31,560

Notes to the Unaudited Consolidated Financial Statements continued

The Group's investment properties were revalued at 31 December 2008 by two independent valuation agents, SHM Smith Hodgkinson ("SHM") and Jones Lang Lasalle ("JLL"). The two valuations were €27.9 million and €28 million respectively. The Company adopted the lower valuation for the purposes of these interim financial statements.

Security

At 31 December 2008, there was a first rank mortgage on the above properties securing the bank loans of €19.2 million (see Note 12).

10 Trade and Other Receivables

	31 December 2008	30 June 2008
	€'000	€'000
Trade receivables	294	208
Deferred sale proceeds	4,276	4,276
Other	22	26
Total	4,592	4,510

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. The Directors do not believe that the Company is liable to make any payments under the SPA, other than an estimated €800,000 in respect of one item for one building, which was fully provided in the accounts to 30 June 2008 and is included in accruals (See note 13).

11 Cash and Cash Equivalents

	31 December 2008	30 June 2008
	€'000	€'000
Bank balances	2,415	2,552
Bank overdrafts	-	-
Cash and cash equivalents	2,415	2,552

12 Interest-Bearing Loans and Borrowings

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

Non-current liabilities:

	31 December 2008	30 June 2008
	€'000	€'000
Secured bank loans	19,172	19,232

Terms and debt repayment schedule:

Loan Amount	Bank	Effective interest rate 31 December 2008	Final Maturity date
€19,172,470	Alpha Bank Sofia SA	EURIBOR 1M+1.955%	October 2011

Notes to the Unaudited Consolidated Financial Statements continued

13 Trade and Other Payables

	31 December 2008	30 June 2008
	€'000	€'000
Taxation	18	11
Trade payables	104	131
Accruals	2,615	3,229
Total	2,737	3,371

Accruals include a provision of €800,000 against the deferred proceeds (see note 10) for one of the property holding subsidiaries which was sold in 2007.

14 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 31 December 2008:

Bulgarian Lev	1.9558
Turkish Lira	2.1437

15 Directors' Remuneration

The Company

The maximum amount of remuneration payable to the Directors permitted under the Articles of Association is €300,000 p.a. Each Director currently is paid a fee of €22,500 p.a. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. Total fees and expenses paid to the Directors for the period ended 31 December 2008 amounted to €45,000 (31 December 2007: €45,000).

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.

16 Taxation

Income tax expense

	6 months to 31 December 2008	6 months to 31 December 2007
	€'000	€'000
Current tax	-	50
Deferred tax	(181)	(4,765)
	(181)	(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.

17 Commitments at the Balance Sheet Date

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

18 Post Balance Sheet Events

There were no significant post balance sheet events.