ECPC
European Convergence Property Company

EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

(Incorporated in the Isle of Man)

Consolidated Interim Report

Six Months ended 31 December 2009

ISIN No. GB00B0B7ZC68

Contents

Management and Administration

Directors * independent	Erwin Brunner (Non-executive Chairman) * James C. Rosapepe (Non-executive Director) * Donald C. McCrickard (Non-executive Director) * Anderson A. Whamond (Non-executive Director) all of the registered office below
Registered Office	Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Manager	Charlemagne Capital (IOM) Limited St Mary's Court, 20 Hill Street Douglas Isle of Man IM1 1EU British Isles
Nominated Adviser and Broker	Panmure Gordon (UK) Limited Moorgate Hall 155 Moorgate London EC2M 6XB United Kingdom
Cash Custodian	Anglo Irish Bank Corporation (International) PLC Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Galileo Fund Services Limited Third Floor, Britannia House St George's Street Douglas Isle of Man IM1 1JE British Isles
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN British Isles

Management and Administration continued

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

Chairman's Statement

During the period since the last report, the Company has continued to hold its remaining investment asset, Mall Veliko Turnovo ("MVT") in Bulgaria, whilst working on maintaining the value of the asset as far as possible, resolving the deferred sales proceeds issue and reducing costs.

The deferred sales proceeds issue is materially resolved and is progressing through the administrative steps of final resolution. The Company expects to announce that it has received the deferred sales proceeds within a month of this report, and shortly afterwards will announce the quantum and mechanism of returning some of this cash to shareholders, adding to the previously returned cash of €0.94 per share in January 2008.

The remaining retail asset continues to experience difficult operating conditions. The Bulgarian economic environment continued to deteriorate into the first quarter of 2010, as further outlined in the Manager's report. The Board is of the opinion that this difficult Bulgarian operating environment naturally had an adverse impact on the valuation of MVT, and commissioned an internal assessment of value in order to save costs, resulting in a further fall in value of €3.3m. The Manager and the Board are working to ensure that the asset can continue to be held and operated as effectively as possible through the foreseeable difficult period, and are optimistic that, in the long term, the retail market, the investment market and investment asset valuations will recover.

As part of its cost reduction exercise, in February 2010 the Company announced a change in year end to 31 December.

The unaudited consolidated net assets of the Company as at 31 December 2009 were €6,253m, giving a net asset value per share of €0.10 (30 June 2009 - €9.272m and €0.15 per share).

Erwin Brunner
Chairman

30 March 2010

Report of the Manager

The Manager's report should be read in conjunction with previous financial statements, and previous shareholder's updates issued by the Company, the last such update being dated 11 February 2010 for the period to 31 December 2009.

The Manager continues to work on the recovery of the deferred sales proceeds (now in the final administrative stages), the management of the remaining asset, Mall Veliko Turnovo in Bulgaria, and identifying cost reductions.

Mall Veliko Turnovo

Bulgarian economic overview

The Bulgarian economic downturn continued into the final quarter of 2009 and the first quarter of 2010. By the end of 2009, GDP had fallen by 6.2% year-on-year, and unemployment increased from 6.27% in December 2008 to 9.9% in January 2010. Year-on-year inflation by December 2009 was just 0.6%, with certain prices in particular sectors falling by up to 25%, and the country having recorded deflation in 5 of the preceding 12 months.

Retail Property

Market conditions in Bulgaria have remained very challenging throughout the period and in line with many CEE markets, have suffered from poor investor sentiment, a very restricted availability of bank debt finance and a supply overhang of committed developments that opened in 2009, further exacerbating difficult market conditions.

During 2009 the following trends appeared. Retailers have been more cautious and some have closed shops altogether. Sales volumes have dropped by as much as 20% with sales in some secondary cities dropping by as much as 50%. Retailers pressurised rents downwards, and demand for retail units in shopping centres was very low, especially in cities outside Sofia. Expectations for 2010 are that these trends will continue but not worsen.

Rents and capital values are not expected to recover in the near term, and indeed the last 2 years has seen Bulgarian retail property yield decompression, and peak rent levels fall by one third. Inevitably there has been near term impact on capital values with little real recovery expected in the market before Q4 2011.

Mall Veliko Turnovo Operating Conditions

The Company's one remaining property asset is a wholly owned interest in a single shopping centre, Mall Veliko Turnovo ("MVT") in central Bulgaria.

The majority of tenants in MVT have continued to experience extremely difficult trading conditions which have directly impacted their ability to maintain lease contract commitments entered into before the beginning of the financial crisis. Further pressure may be felt on rents if consumer spending does not increase during the year.

The challenge for the Company is and will be to maintain a robust yet pragmatic approach in dealing with tenants during this period and at all times seek to preserve rent, and avoid non-contributing empty shop units. Therefore the MVT centre management strategy will be to focus on tenant and rental preservation, in mitigation of the negative market effects on the asset's performance and occupancy levels. Despite these market difficulties, MVT has remained consistently above 90% occupancy since acquisition. Operational costs have been maintained at low levels compared to industry standards, by retaining the asset management in-house.

Since the beginning of the year management has engaged in negotiating with a couple of new entrants into the market which represent the first encouraging signs but at rental levels reflecting the current market. The fact that the asset is unique and the absence of competing or planned retail schemes (MVT is the only modern shopping centre in its immediate hinterland) will continue to attract new occupational tenants even under challenging market conditions.

The maintained high level of occupancy at MVT has meant that the investment has been cash flow positive and is expected to be at worst broadly cash flow neutral for the forthcoming year. Moreover, taken together with prudently retained cash reserves, this will ensure that the investment will be comfortably able to service both its debt finance and working capital obligations.

Report of the Manager continued

The operating company is enjoying the support of its lending bank, and discussions are in progress to extend the current facility for a further 5 years and utilise part of the existing cash balance to pay down some of the outstanding debt.

Mall Veliko Turnovo Exit and the Current Market

In the current climate of poor investment sentiment and weak capital markets, an exit in the short term is considered extremely unlikely.

Normally a very 'thin' market for comparable transactions in any case, there have been no major transactions involving mature Bulgarian retail assets during the preceding quarter.

The assessment of value conducted as at 31 December 2009 was an internal one. It is not proposed to instruct a formal valuation of the property at this current time.

Cost Reductions

The Manager has successfully implemented a number of cost reductions during the period, which should impact in future periods, such as closing unused subsidiary companies, reducing advisors fees, and altering the accounting period to reduce audit costs, and continues to focus on identifying areas for possible cost reductions.

Charlemagne Capital (IOM) Limited
30 March 2010

Consolidated Income Statement

	Note	(Unaudited) 1 July 2009 to 31 December 2009 €'000	(Unaudited) 1 July 2008 to 31 December 2008 €'000
Realised gain on sale of investment property		**-**	**-**
Net loss from fair value adjustment on investment property	9	**(3,304)**	**(3,660)**
Net rent and related income		**1,076**	**1,467**
Manager's fees	6.3	354	425
Audit and professional fees		(65)	(203)
Other expenses		(517)	(428)
Administrative expenses		**(228)**	**(206)**
Net operating loss before net financing expense		**(2,456)**	**(2,399)**
Financial income		33	35
Financial expenses		(589)	(651)
Net financing expense		**(556)**	**(616)**
Loss before tax		**(3,012)**	**(3,015)**
Income tax credit	16	-	181
Retained loss for the year		**(3,012)**	**(2,834)**
Basic and diluted loss per share (€)	8	**(0.0481)**	**(0.0452)**

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

Consolidated Statement of Comprehensive Income

	(Unaudited) 1 July 2009 to 31 December 2009	(Unaudited) 1 July 2008 to 31 December 2008
Loss for the period	(3,012)	(2,834)
Other comprehensive income		
Currency translation differences	(7)	4
Total comprehensive loss for the period	(3,019)	(2,830)

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

Consolidated Balance Sheet

	Note	(Unaudited) At 31 December 2009 €'000	(Audited) At 30 June 2009 €'000
Investment property	9	20,400	23,600
Property, plant and equipment		-	98
Total non-current assets		**20,400**	**23,698**
Trade and other receivables	10	2,821	2,810
Cash and cash equivalents	11	3,890	4,200
Total current assets		**6,710**	**7,010**
Total assets		**27,110**	**30,708**
Issued share capital		3,682	3,682
Retained earnings		2,569	5,581
Foreign currency translation reserve		2	9
Total equity		**6,253**	**9,272**
Interest-bearing loans and borrowings	12	19,200	19,178
Deferred tax liability		-	-
Total non-current liabilities		**19,200**	**19,178**
Trade and other payables	13	1,657	2,258
Total current liabilities		**1,657**	**2,258**
Total liabilities		**20,857**	**21,436**
Total equity & liabilities		**27,110**	**30,708**

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 2008	3,762	12,070	-	15,832
Loss for the year	-	(2,834)	-	(2,834)
Other comprehensive income				
Foreign exchange translation differences	-	-	4	4
Total comprehensive loss		**(2,834)**	**4**	**(2,830)**
Shares cancelled following market purchases	(80)	73	-	(7)
Total transactions with owners in the year	**(80)**	**73**	**-**	**(7)**
Balance at 31 December 2008	**3,682**	**9,309**	**4**	**12,995**

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	€'000	€'000	€'000	€'000
Balance at 1 July 2008	3,762	12,070	-	15,832
Loss for the year	-	(6,562)	-	(6,562)
Other comprehensive income				
Foreign exchange translation differences	-	-	9	9
Total comprehensive loss		**(6,562)**	**9**	**(6,553)**
Shares cancelled following market purchases	(80)	73	-	(7)
Total transactions with owners in the year	**(80)**	**73**	**-**	**(7)**
Balance at 30 June 2009	**3,682**	**5,581**	**9**	**9,272**

	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 year	-	(3,012)	-	(3,012)
Other comprehensive income				
Foreign exchange translation differences	-	-	(7)	(7)
Total comprehensive loss		**(3,012)**	**(7)**	**(3,019)**
Balance at 31 December 2009	**3,682**	**2,569**	**2**	**6,253**

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

Consolidated Cash Flow Statement

	Note	(Unaudited) For the period from 1 July 2009 to 31 December 2009 €'000	(Unaudited) For the period from 1 July 2008 to 31 December 2008 €'000
Operating activities			
Group loss for the year		(3,012)	(2,834)
Adjustments for:			
Net loss from fair value adjustment on investment property		3,304	3,660
Financial income		(33)	(35)
Financial expenses		589	651
Foreign currency translated		(7)	4
Depreciation		-	-
Income tax credit		-	(181)
Operating profit before changes in working capital		**841**	**1,265**
Increase in trade and other receivables		(11)	(82)
Decrease in trade and other payables		(601)	(641)
Cash generated from operations		**229**	**542**
Interest paid		(589)	(651)
Income and corporation tax received		-	11
Interest received		33	35
Cash flows used in operating activities		**(327)**	**(63)**
Investing activities			
Purchase of investment property		(5)	-
Purchase of property, plant and equipment		-	(7)
Cash flows used in investing activities		**(5)**	**(7)**
Financing activities			
Purchase of own shares		-	(7)
Repayment of long term loans		22	(60)
Cash flows used in financing activities		**22**	**(67)**
Net decrease in cash and cash equivalents		(310)	(137)
Cash and cash equivalents at beginning of period		4,200	2,552
Cash and cash equivalents at end of period	11	**3,890**	**2,415**

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

Notes to the Consolidated Financial Statements

1 The Company

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

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

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

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

Capital Distribution

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

2 The Subsidiaries

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

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

Interests in the following subsidiary companies were disposed of during the period:

	Country of incorporation	Percentage of shares held
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%

* Liquidated.

** Sold to third parties 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 2009. The Interim report of the Company for the period ending 31 December 2009 comprises the Company and its subsidiaries (together referred to as the 'Group'). The interim consolidated financial statements are unaudited.

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 2009.

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

6 months ended 31 December 2009	Bulgaria €'000	Romania €'000	Turkey €'000	Unallocated €'000	Total €'000
Net rent and associated income	1,076	-	-		1,076
Segment results	(3,534)	(2,344)	-	2,866	(3,012)
Segment assets	23,051	2,479	-	1,580	27,110
Segment liabilities	(32,038)	(930)	-	12,111	(20,857)

6 months ended 31 December 2008	Bulgaria €'000	Romania €'000	Turkey €'000	Unallocated €'000	Total €'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)

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

5 Net Asset Value per Share

The net asset value per share as at 31 December 2009 is €0.0998 based on net assets of €6.25 million and 62,616,333 ordinary shares in issue (30 June 2009: €0.1481 based on 62,696,333 shares).

6 Related Party Transactions

6.1 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 97,479 ordinary shares in the Company.

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

Notes to the Consolidated Financial Statements continued

6 Related Party Transactions 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 2009 amounted to €178,353 (31 December 2008: €223,294).

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.

The Company may procure payment of the Manager's annual fees and any performance fees from any Group subsidiary 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. As a result of losses made by the Group for the period ended 31 December 2009, performance fees previously accrued were reversed and credited to the profit and loss account of the Group to the extent of €532,751 (31 December 2008: credit of €647,772).

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 €33,462 (£30,000).

Advisory fees payable to the Nominated Adviser and Broker for the period ended 31 December 2009 amounted to €18,994 (31 December 2008: €22,855).

Notes to the Consolidated Financial Statements continued

7 Charges and Fees continued

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 2009 amounted to €3,450 (31 December 2008: €3,488).

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 €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 period ended 31 December 2009 amounted to €14,663 (31 December 2008: €34,875).

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 2009 amounted to €20,820 (31 December 2008: €33,759).

8 Basic and Diluted Earnings per Share

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

	31 December 2009	31 December 2008
Loss attributable to equity holders of the Company (€'000)	(3,012)	(2,834)
Weighted average number of ordinary shares in issue (thousands)	62,616	62,688
Basic and diluted loss per share (€ per share)	(0.0481)	(0.0452)

Notes to the Consolidated Financial Statements continued

9 Investment Property

	31 December 2009 €000	30 June 2009 €'000
At beginning of period	23,600	31,560
Additions	104	-
Disposals through sale of subsidiaries	-	-
Net loss from fair value adjustments on investment property	(3,304)	(7,960)
Balance at end of period	**20,400**	**23,600**

The investment property was last valued at 30 June 2009 by an independent third party, SHM Smith Hodgkinson (Romania) Srl based on discounted cash flow valuation technique. The Company performed an internal valuation as at 31 December 2009. As at 31 December 2009, there was a first rank mortgage on the above property securing the bank loans of €19.2 million (at 31 December 2008: €19.2 million)

10 Trade and Other Receivables

	31 December 2009 €'000	30 June 2009 €'000
Trade receivables	222	229
Deferred sale proceeds	2,478	2,478
Other	121	103
Total	**2,821**	**2,810**

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

11 Cash and Cash Equivalents

	31 December 2009 €'000	30 June 2009 €'000
Bank balances	3,890	4,200
Bank overdrafts	-	-
Cash and cash equivalents	**3,890**	**4,200**

At 31 December 2009, €2.0m was held in a bank account with Alpha Bank subject to the terms of the loan agreement between Alpha Bank and the Company's Bulgarian subsidiary, under which all obligations to the Bank under the loan agreement must be fulfilled before the Bulgarian subsidiary is free to pay a dividend.

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 2009 €'000	30 June 2009 €'000
Secured bank loans	19,200	19,178

Terms and debt repayment schedule:

Loan Amount	Bank	Effective interest rate 31 December 2009	Final Maturity date
€19.2 million	Alpha Bank Sofia SA	5.7%	October 2011

Notes to the Consolidated Financial Statements continued

13 Trade and Other Payables

	31 December 2009	30 June 2009
	€'000	€'000
Taxation	35	26
Trade payables	126	129
Accruals	1,496	2,103
Other	-	-
Total	**1,657**	**2,258**

Accruals include a performance fee of €440,815 and other accruals of €1,055,250 (30 June 2009 - €973,566 and €1,129,985 respectively). Other accruals include a provision of €900,000 against the deferred sales proceeds.

14 Exchange Rates

The following exchange rates were used to translate assets and liabilities into the reporting currency at 31 December 2009:

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 2009 amounted to €45,000 (31 December 2008: €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

Group income tax expense

	6 months to 31 December 2009 €'000	6 months to 31 December 2008 €'000
Current tax expense/(credit)	-	-
Movement in deferred tax liability	-	(181)
Income tax credit for the year	-	(181)

Deferred income tax is based on temporary differences between revalued amounts of investment property in the books of the subsidiaries and their respective tax bases. The deferred tax position as at 31 December 2009 is based on the capital gains tax rate of 10% in Bulgaria.

17 Commitments at the Balance Sheet Date

There were no commitments at the balance sheet date.

18 Post Balance Sheet Events

On 11 February 2010, the Company announced that its accounting period would change to 31 December in each year with immediate effect.

Notes to the Consolidated Financial Statements continued

19 Investment Policy

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

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

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

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