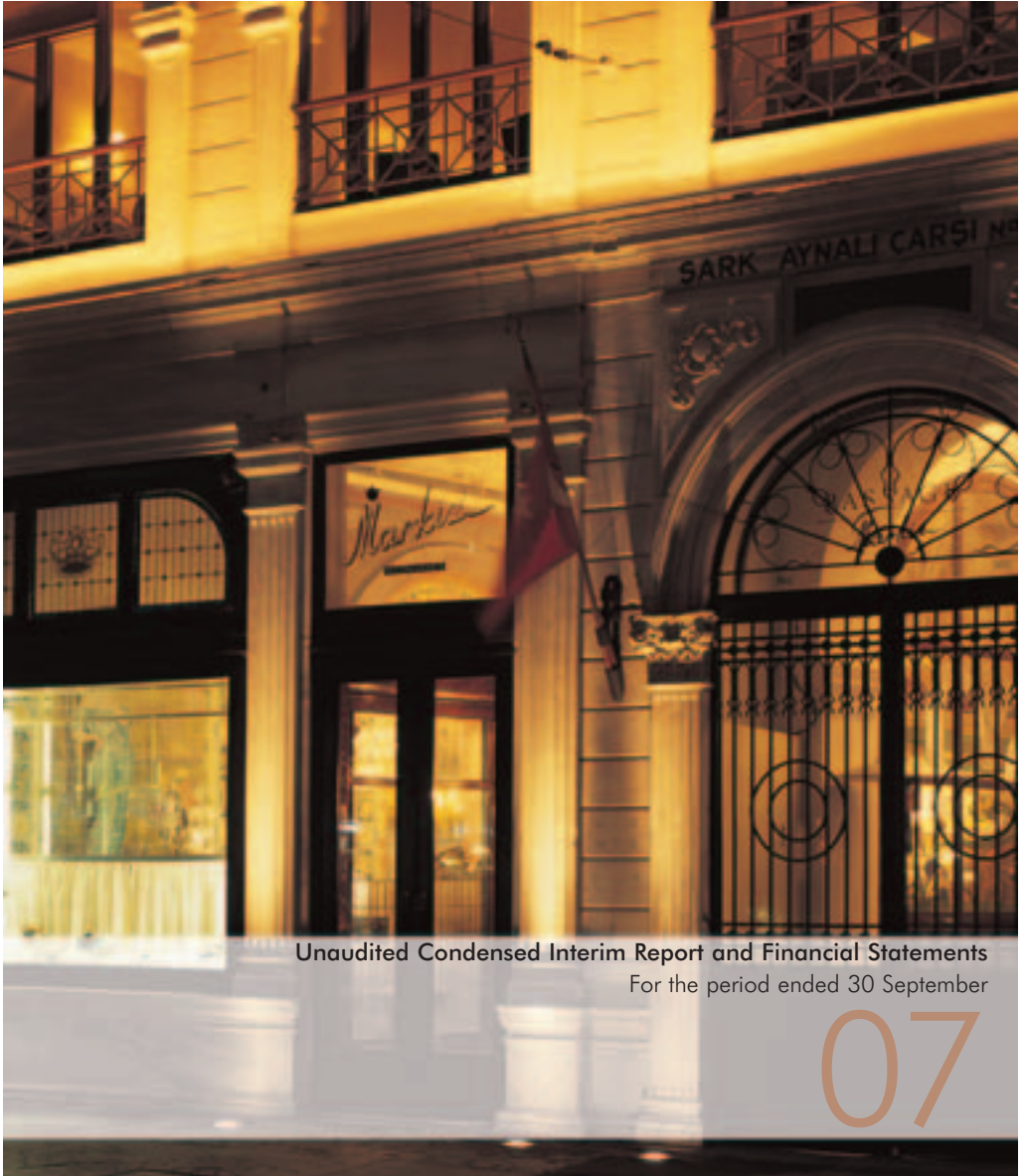


Eastern European Property Fund Limited



Unaudited Condensed Interim Report and Financial Statements
For the period ended 30 September

07

Investment Objective

The investment objective of Eastern European Property Fund Limited (the “Company”) and its subsidiaries’ (together the “Group”) is to provide Shareholders with a high level of income and the potential for significant capital growth by investing in property in the major urban centres of Turkey, Romania, Bulgaria and the Ukraine (the “Target Countries”).

Investment Policy

The Group invests in a range of office, retail, industrial and residential properties in the Target Countries. The Group will primarily seek to invest in income-producing properties that also offer potential for significant capital growth in or around major urban centres in the Target Countries. The Group’s primary policy will be to purchase existing or newly built properties.

The Group may also invest in the construction and development, renovation or refurbishment of properties, either wholly owned by the Company or in conjunction with other investors.

Risk Warnings

Please refer to the Admission Document for details of the risk warnings.

www.eepfl.com

A closed-ended investment company, incorporated under
The Companies (Guernsey) Laws 1994 to 1996, as amended.

REGISTERED IN GUERNSEY No. 44424

Chairman's Statement

I am pleased to present the Interim Report and Financial Statements of the Company for the period ended 30 September 2007.

Results

The Company generated a net profit for the period ended 30 September 2007 of £0.6 million, representing a profit per Ordinary Share of 3.18p. The consolidated net asset value at 30 September 2006 was £23.0 million (115.19p per Ordinary Share).

Despite the Company's strong performance during the period, the price of the Ordinary Shares has suffered from current market conditions, falling 2.5p during the period to 95.25p at 30 September 2007 (a discount to net asset value of 17%).

The Company did not purchase any new properties during the period but instead utilised its funds to try to maximise the value of its existing properties through further refurbishment. This has proved to be a profitable strategy with the fair value of the Company's properties increasing by £2.1 million, an uplift of £1.4 million during the period after accounting for costs and foreign exchange movements.

In line with the Admission Document, the Company did not hedge the exchange rate risk, which reduced the Company's profit for the period by £0.6 million.

Dividend

No dividends were paid during the period ended 30 September 2007. However, on 6 August 2007 the Board declared an interim dividend of 3.20 pence per Ordinary Share for the period ended 31 March 2007. This dividend was paid on 16 November 2007 and thus has not been provided for in these interim financial statements.

Loan Facility

The Company has invested all of its available equity, so, in order to take advantage of the strong property market in Turkey, the advisers have been in negotiations to secure a term loan facility. On 18 December 2007, HSBC Bank plc made available to the Company's two Turkish subsidiaries two loan facilities totalling US\$17,500,000 which were drawn down on 19 December 2007 and are to be repaid at the end of five years from drawdown.

Refinancing

In order to take advantage of the opportunities that exist in the Eastern European property markets, the Board and its advisers continue to explore ways to increase the equity base of the Company.

Outlook

The Directors' visit to Turkey during the period to inspect the Company's Turkish properties reinforced our opinion that the Turkish property market appears to be buoyant and that excellent opportunities still exist to acquire further properties in prime locations. The Bulgarian, Romanian and Turkish property markets have not followed the same recent downturn as the UK property market and the Board and its advisers are cautiously optimistic that the Company's property portfolio will continue to perform strongly for the remainder of the period.

Charles Parkinson
Chairman

28 December 2007

Property Manager's Report

Strategy

Since 31 March 2007, the Company has focused on consolidating its property holdings, progressing and completing refurbishment projects, and finalising lettings, including the undertaking of fit-outs for tenants.

In addition, considerable time was committed to putting in place a flexible real estate loan facility in Turkey to enable the Company to leverage efficiently going forward. This proved more difficult than originally envisaged due to the relatively new lending market on property in Turkey. On 18 December 2007, HSBC Bank plc made available to the Company's two Turkish subsidiaries two loan facilities totalling US\$17,500,000. The facilities were drawn down on 19 December 2007 and are to be repaid five years from drawdown. Interest

is payable at 2.35% above the US Dollar London interbank euro-currency deposit market rate.

Property Portfolio

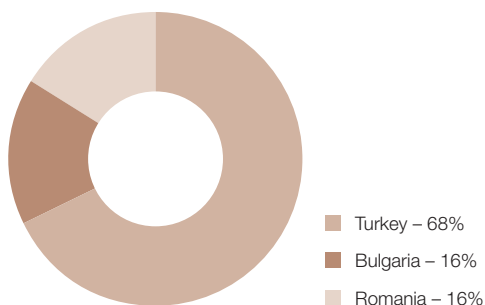
The unlet space in the portfolio continues to reduce and, as at 30 September 2007, 82% of refurbished property, i.e. property ready for occupation, had been let. Despite UK and Western sentiment towards real estate, rent levels and property prices have continued to grow in all regions of the target countries. The net yield on each property acquired to date (once fully let) will be in excess of 9% on cost.

DTZ Debenham Tie Leung carried out a desktop revaluation as at 30 September 2007 which indicated an uplift in property values since March 2007 of 9.66% to £23.6 million.

Current Holdings

		<i>Market Value</i>
		<i>£'000</i>
Bulgaria		
24 George Washington Street, Sofia	Office	3,763
Romania		
Transalkim Warehouse, S Bucharest	Industrial	3,763
Turkey		
134-39 Susam Street, Cihangir, Istanbul	Leisure/Office/Residential	1,807
6th Floor, The Misir Building, Istiklal Street, Beyoglu, Istanbul	Office	1,187
Ravouna Apts, 401 Istiklal Street, Beyoglu, Istanbul	Office/Retail	2,491
Oriental Passage, Istiklal Street, Beyoglu, Istanbul	Leisure/Office/Retail	8,549
Nil Passage, Istiklal Street, Beyoglu, Istanbul	Leisure/Office/Retail	1,070
Pera Residence, Asmalimescrit Street, Beyoglu, Istanbul	Retail	952
		16,056
Total investment properties		23,582

Properties for Country by Market Value



The properties at the period end were as follows:

24 George Washington Street, Sofia, Bulgaria (Office)

The building contract continues to overrun, for which the Company is entitled to damages. The latest anticipated practical completion date is the end of 2007.

An agreement to lease has been signed, providing €180,000 per annum for the letting of one unit spanning two floors on a two year lease. We have negotiated the right to cancel this agreement, should a better offer be received for a larger letting. Currently there is interest from two other tenants, an online travel agency and an advertising agency.

Transalkim Warehouse, S. Bucharest, Romania (Industrial)

The Agreement to Lease with the tenant became unconditional in May, following completion of the refurbishment of a third warehouse. The total annual income from Romania is €460,000 per annum.

134-39 Susam Street, Cihangir, Istanbul, Turkey (Leisure/Office/Residential)

Despite some difficulties with the Conservation Committee and the Municipality, construction is now finished. A significant part of the works involved earthquake proofing measures, which introduced steel re-enforcement in the building. All floors of the building have been refurbished and are now serviced by a new lift.

Throughout the refurbishment there has been good interest in acquiring either part of the building or the whole building and the property is now on the market. An offer has been received for one of the apartments and a separate offer has been received for the whole building. In addition, a five year lease agreement, commencing on 1 January 2008, has recently been signed for the restaurant.

6th Floor, The Misir Building, Istiklal Street, Beyoglu, Istanbul, Turkey (Office)

Turkish Companies, Elektronik and Propaganda now occupy the 6th floor on lease terms that run to 2012. Each tenancy has built in rental growth on an annual basis.

Property Manager's Report (continued)

Ravouna Apartments, 401 Istiklal Street, Beyoglu, Istanbul, Turkey (Office/Retail)

Architects have continued to refine proposals, which have received approval from the local municipality, for the refurbishment of the building, which will begin when the Company obtains vacant possession. An action has been put forward to the Courts to evict the existing tenant who occupies the ground floor at a low rent.

Markiz Passage, Istiklal Street, Beyoglu, Istanbul (Leisure/Office/Retail)

Roberts and Darty have now moved in and between them pay rentals of almost US\$690,000 per annum.

The Company has created a glazed sliding roof for the restaurant bar area on the second floor. With the roof complete, final works are underway on the remaining area which will allow most of the second floor to be let to a night club operator.

A number of potential tenants have viewed the building and during the period a number of office units and the car park were let. A service charge mechanism is now in place so that all occupiers benefit from a pro-active maintenance programme on the building as a whole.

Nil Passage, Asmalimescirt Street, Beyoglu, Istanbul, Turkey (Leisure/Office/Retail)

Following the initial purchase of 56% of the building, negotiations have been ongoing for a further proportion of the property. The Company is seeking to control the building in order to implement a strategy of bringing together Markiz and Nil Passage into one large mall. As a temporary measure, an income stream on Nil Passage has been created from a number of small lettings, which generate a total annual income of over US\$77,000 per annum.

Pera Residence, Asmalimescirt Street, Beyoglu, Istanbul, Turkey (Retail)

The property was acquired for US\$1.04 million and refurbishment of the three ground floor shops and basement area was completed in September 2007.

All three shops have now been let to North Shields, which is Turkish owned and has a number of outlets providing themed English pubs.

Regional Overview

Romania and Bulgaria

Differences between the President and Prime Minister in Romania continue, but seem to have had little impact on day to day matters. Both countries are looking forward to their first European elections and the actual accession appears to have reduced the perceived risk, with an increased willingness of Western companies to consider expansion in both countries. Indeed, various international investor groups have announced several billion Euros of residential, office and retail schemes for the country as a whole.

Interest shown by both multi-national and domestic companies to situate their headquarters in offices in Central Bucharest has lowered the availability of Class A offices to 0.02% (an all time low) according to Colliers International.

In Central Sofia, office rents continue to rise due to the lack of supply (€15-€17 per m²). Although there has been turbulence in the international capital markets in recent months, inward investment flows have continued at high levels.

The commercial space around the Sofia Airport (Sofia Business Park) in Sofia continues to be a focus for new development, but there is little impact on the Central Business District.

Turkey

Since the elections returning the AKP party, and following the stand off with the military earlier in the year, the Government has strengthened its position.

The AKP was returned to power on the basis of its strong economic performance and recent announcements from the Foreign Minister and the Prime Minister have confirmed the Government's intentions to implement all the requirements to fulfil accession to the E.U., whether or not Turkey is ultimately accepted.

The Turkish Lira has remained remarkably resilient and has only recently suffered, following Turkey's decision to invade Iraq in response to PKK's (Kurdistan Workers Party) attacks in mainland Turkey. Conditions, up until the incursions into Iraq by the military, have been stable with general business confidence growing since the elections. However, these military actions have affected the investment risk sentiment, but it is too early to assess whether this is material.

Generally, rents continue to rise and investment yields for property continue to fall. However, due to the lack of transparency in the property market, this information is primarily drawn from anecdotal evidence as opposed to analysis of real transactions, which tend to be historic and of an exceptional nature.

Ukraine

Despite reviewing a large number of potential purchases in Kiev (Ukraine), none were concluded as we judged that the overall level of return achievable was insufficient, after allowing for the additional risk of investing there, relative to the risk adjusted returns available in the other major cities of our Target Countries. Whilst no acquisitions have been made in the Ukraine to date, these factors are continually

reviewed and re-evaluated and, should the situation improve, then the Group may commence investment in this country.

The property market in Kiev continues to be strong in all areas with a significant shortage of western standard space in both the commercial and residential property sectors. Bureaucratic planning processes however limit the opportunities to capitalise on this shortage of quality space and the costs of local financing for projects remains high.

Prospects

There are a number of potential acquisitions being considered throughout Turkey, Bucharest and Romania. In Istanbul some of the potential acquisitions are very close to the Company's existing holdings. Many of these properties are now of a larger lot size that may require additional funding over and above borrowing limits within the existing portfolio and the Company is exploring means of overcoming this issue.

Bob Locker

*CNC Property Fund Management Limited
(formerly Collins Stewart Property Fund
Management Limited)*

Keiran Gallagher

Oliver Cadogan

Active Property Investments Limited

28 December 2007

Condensed Consolidated Income Statement

for the period ended 30 September 2007 (unaudited)

	01 April 2007 to 30 September 2007 (unaudited) £'000	27 February 2006 to 30 September 2006 (unaudited) £'000	27 February 2006 to 31 March 2007 (audited) £'000
Income			
Gross rental income	313	–	69
Bank interest and other income	37	422	614
Movement in unrealised gain on revaluation of investment properties	1,449	–	4,559
Total income	1,799	422	5,242
Expenses			
Administrator's fees	7 (63)	(66)	(131)
Management fees	7 (193)	(175)	(340)
Performance fees	7 (159)	–	(241)
Other operating expenses	(278)	(125)	(389)
Net loss on foreign exchange	(597)	(78)	(2)
Total expenses	(1,290)	(444)	(1,103)
Net profit/(loss) from operating activities	509	(22)	4,139
Taxation	127	(16)	(829)
Profit/(loss) for the period	636	(38)	3,310
Earnings per share – basic and diluted	3.18p	(0.19)p	16.55p

The accompanying notes on pages 10 to 16 form an integral part of these unaudited interim financial statements. These financial statements are unaudited and are not the Company's statutory financial statements.

Condensed Consolidated Statement of Changes in Equity

for the period from 01 April 2007 to 30 September 2007 (unaudited)

	Share capital £'000	Share premium £'000	Distributable reserves £'000	Non- distributable reserves £'000	Total £'000
Net assets at 31 March 2007	200	–	18,223	3,978	22,401
(Loss)/profit for the period	–	–	(461)	1,097	636
Net assets at 30 September 2007	200	–	17,762	5,075	23,037

Condensed Consolidated Statement of Changes in Equity

for the period from 27 February 2006 to 30 September 2006 (unaudited)

	Share capital £'000	Share premium £'000	Distributable reserves £'000	Non- distributable reserves £'000	Total £'000
Gross proceeds of placing	200	19,800	–	–	20,000
Issue costs	–	(909)	–	–	(909)
Cancellation of share premium account	–	(18,891)	18,891	–	–
Profit/(loss) for the period	–	–	137	(175)	(38)
Net assets at 30 September 2006	200	–	19,028	(175)	19,053

Condensed Consolidated Statement of Changes in Equity

for the period from 27 February 2006 to 31 March 2007 (audited)

	Share capital £'000	Share premium £'000	Distributable reserves £'000	Non- distributable reserves £'000	Total £'000
Gross proceeds of placing	200	19,800	–	–	20,000
Issue costs	–	(909)	–	–	(909)
Cancellation of share premium account	–	(18,891)	18,891	–	–
(Loss)/profit for the period	–	–	(668)	3,978	3,310
Net assets at 31 March 2007	200	–	18,223	3,978	22,401

The accompanying notes on pages 10 to 16 form an integral part of these unaudited interim financial statements. These financial statements are unaudited and are not the Company's statutory financial statements.

Condensed Consolidated Balance Sheet

as at 30 September 2007 (unaudited)

	Note	30 September 2007 (unaudited) £'000	30 September 2006 (unaudited) £'000	31 March 2007 (audited) £'000
Non-current assets				
Freehold investment property		23,582	1,604	21,504
Property, plant and equipment		77	–	73
Intangible assets		14	–	15
Deferred tax assets		224	–	161
		23,897	1,604	21,753
Current assets				
Trade and other receivables		1,223	64	759
Cash and cash equivalents		1,312	17,521	1,364
		2,535	17,585	2,123
Total assets		26,432	19,189	23,876
Current liabilities				
Trade and other payables		(2,370)	(136)	(446)
Overseas corporate tax		(166)	–	(89)
		(2,536)	(136)	(535)
Non-current liabilities				
Rents received in advance		(138)	–	(72)
Deferred tax liabilities		(721)	–	(868)
		(859)	–	(940)
Total liabilities		(3,395)	(136)	(1,475)
Net assets		23,037	19,053	22,401
Capital and reserves				
Called-up share capital	9	200	200	200
Share premium		–	–	–
Distributable reserves		17,762	19,028	18,223
Non-distributable reserves		5,075	(175)	3,978
Total equity shareholders' funds		23,037	19,053	22,401
Net Asset Value per Ordinary Share –				
basic and fully diluted	10	115.19p	95.27p	112.01p

The accompanying notes on pages 10 to 16 form an integral part of these unaudited interim financial statements. These financial statements are unaudited and are not the Company's statutory financial statements.

Consolidated Cash Flow Statement

for the period ended 30 September 2007 (unaudited)

	01 April 2007 to 30 September 2007 (unaudited) £'000	27 February 2006 to 30 September 2006 (unaudited) £'000	27 February 2006 to 31 March 2007 (audited) £'000
Net profit/(loss) from operating activities	509	(22)	4,139
Adjustments for:			
Interest receivable	(37)	(422)	(614)
Gain on revaluation of investment properties	(1,449)	–	(4,559)
Depreciation	–	–	5
Net cash outflow from operating activities before working capital changes, interest received and tax paid	(977)	(444)	(1,029)
Increase in trade and other receivables	(464)	(64)	(755)
Increase in trade and other payables	1,924	136	446
Increase in other non-current liabilities	66	–	72
Net cash inflow/(outflow) from operating activities before interest received and tax paid	549	(372)	(1,266)
Interest received in the period	31	409	610
Tax paid in the period	(2)	(3)	(33)
Net cash inflow/(outflow) from operating activities	578	34	(689)
Investing activities			
Purchase of/additions to investment property	(749)	(1,604)	(16,974)
Purchase of intangible assets	–	–	(15)
Purchase of property, plant and equipment	–	–	(78)
Net cash outflow from investing activities	(749)	(1,604)	(17,067)
Financing activities			
Issue of shares	–	20,000	20,000
Share issue costs	–	(909)	(909)
Net cash inflow from financing activities	–	19,091	19,091
(Decrease)/increase in cash and cash equivalents	(171)	17,521	1,335
Cash and cash equivalents at beginning of period	1,364	–	–
(Decrease)/increase in cash and cash equivalents	(171)	17,521	1,335
Foreign exchange movement	119	–	29
Cash and cash equivalents at end of period	1,312	17,521	1,364

The accompanying notes on pages 10 to 16 form an integral part of these unaudited interim financial statements.

These financial statements are unaudited and are not the Company's statutory financial statements.

Notes to the Condensed Financial Statements

for the period from 01 April 2007 to 30 September 2007

1. Reporting entity

The Company is domiciled in Guernsey. The condensed consolidated interim financial statements of the Company for the six months ended 30 September 2007 comprise the Company and its subsidiaries.

The consolidated financial statements of the Company for the period ended 31 March 2007 are available at www.eepfl.com.

2. Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34"). 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 for the period ended 31 March 2007.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 December 2007.

3. Significant accounting policies

These unaudited condensed interim financial statements have adopted the same accounting policies as the last audited financial statements, which were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law and reflect the accounting policies as disclosed in the Company's last audited financial statements, which have been adopted and applied consistently.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the Directors in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the period ended 31 March 2007.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the period ended 31 March 2007.

6. Segmental Analysis

Segment information is presented in respect of the Group's geographical segments.

The Group operates in five principal geographic segments, being Guernsey, Bulgaria, Cyprus and Malta, Romania, and Turkey. Guernsey is where the primary holding company is registered; it provides loans to the other subsidiaries and receives bank and loan interest and dividend income. The Maltese and Cypriot subsidiaries are investment holding companies and Bulgaria, Romania and Turkey hold investment property.

Income Statement for the period ended 30 September 2007 (unaudited)

	Guernsey £'000	Bulgaria £'000	Cyprus & Malta £'000	Romania £'000	Turkey £'000	Total £'000
Gross rental income	–	–	–	156	157	313
Bank interest and other income	13	13	–	9	2	37
Income	13	13	–	165	159	350
Administrative and other expenses and foreign exchange movements	497	(44)	(8)	9	(1,744)	(1,290)
Net profit/(loss) from operating activities	510	(31)	(8)	174	(1,585)	(940)
Movement in unrealised gain on revaluation of investment properties	–	(117)	–	324	1,242	1,449
Profit/(loss) before tax	510	(148)	(8)	498	(343)	509
Taxation	–	(1)	–	(70)	198	127
Profit/(loss) for the period	510	(149)	(8)	428	(145)	636

Notes to the Condensed Financial Statements (continued)

6. Segmental Analysis (continued)

Balance Sheet as at 30 September 2007 (unaudited)

	Guernsey £'000	Bulgaria £'000	Cyprus & Malta £'000	Romania £'000	Turkey £'000	Total £'000
Investment property	–	3,763	–	3,763	16,056	23,582
Property, plant & equipment	–	–	–	35	42	77
Intangible assets	–	–	–	–	14	14
Deferred tax assets	–	2	–	–	222	224
Trade and other receivables	18	753	2	42	408	1,223
Cash and cash equivalents	156	1,096	4	19	37	1,312
Total assets	174	5,614	6	3,859	16,779	26,432
Current liabilities	(531)	(1,624)	(5)	(49)	(327)	(2,536)
Non-current liabilities	–	(89)	–	(114)	(656)	(859)
Total liabilities	(531)	(1,713)	(5)	(163)	(983)	(3,395)
Net (liabilities)/assets	(357)	3,901	1	3,696	15,796	23,037

Income Statement for the period ended 30 September 2006 (unaudited)

	Guernsey £'000	Bulgaria £'000	Cyprus & Malta £'000	Romania £'000	Turkey £'000	Total £'000
Rent income receivable	–	–	–	–	–	–
Bank interest receivable	422	–	–	–	–	422
Income	422	–	–	–	–	422
Administrative, other expenses and foreign exchange movements	(398)	–	(6)	–	(40)	(444)
Net profit/(loss) from operating activities	24	–	(6)	–	(40)	(22)
Unrealised gain on revaluation of investment properties	–	–	–	–	–	–
Profit/(loss) before tax	24	–	(6)	–	(40)	(22)
Taxation	–	–	–	–	(16)	(16)
Profit/(loss) for the period	24	–	(6)	–	(56)	(38)

Balance Sheet as at 30 September 2006 (unaudited)

	Guernsey £'000	Bulgaria £'000	Cyprus & Malta £'000	Romania £'000	Turkey £'000	Total £'000
Investment property	-	-	-	-	1,604	1,604
Property, plant & equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
Trade and other receivables	29	-	-	-	35	64
Cash and cash equivalents	17,482	-	-	-	39	17,521
Total assets	17,511	-	-	-	1,678	19,189
Current liabilities	(134)	-	-	-	(2)	(136)
Non-current liabilities	-	-	-	-	-	-
Total liabilities	(134)	-	-	-	(2)	(136)
Net assets/(liabilities)	17,377	-	-	-	1,676	19,053

Income Statement for the period ended 31 March 2007 (audited)

	Guernsey £'000	Bulgaria £'000	Cyprus & Malta £'000	Romania £'000	Turkey £'000	Total £'000
Rent income receivable	-	-	-	49	20	69
Bank interest receivable	579	6	-	25	4	614
Income	579	6	-	74	24	683
Administrative, other expenses and foreign exchange movements	(914)	(5)	(32)	9	(161)	(1,103)
Net (loss)/profit from operating activities	(335)	1	(32)	83	(137)	(420)
Unrealised gain on revaluation of investment properties	-	981	-	378	3,200	4,559
(Loss)/profit before tax	(335)	982	(32)	461	3,063	4,139
Taxation	(20)	(93)	-	(82)	(634)	(829)
(Loss)/profit for the period	(355)	889	(32)	379	2,429	3,310

Notes to the Condensed Financial Statements (continued)

6. Segmental Analysis (continued)

Balance Sheet as at 31 March 2007 (audited)

	Guernsey £'000	Bulgaria £'000	Cyprus & Malta £'000	Romania £'000	Turkey £'000	Total £'000
Investment property	–	3,421	–	3,285	14,798	21,504
Property, plant & equipment	–	–	–	36	37	73
Intangible assets	–	–	–	–	15	15
Deferred tax assets	–	5	–	4	152	161
Trade and other receivables	67	485	2	26	179	759
Cash and cash equivalents	960	129	5	133	137	1,364
Total assets	1,027	4,040	7	3,484	15,318	23,876
Current liabilities	(390)	(7)	(10)	(48)	(80)	(535)
Non-current liabilities	–	(99)	–	(61)	(780)	(940)
Total liabilities	(390)	(106)	(10)	(109)	(860)	(1,475)
Net assets/(liabilities)	637	3,934	(3)	3,375	14,458	22,401

7. Management and administration fees

Elysium Fund Management Limited (“Elysium”) is Manager, Administrator and Secretary to the Company, CNC Property Fund Management Limited (“CNC”) (formerly Collins Stewart Property Fund Management Limited) is Property Manager and Active Property Investments Limited is the Investment Adviser.

Elysium is entitled to receive an annual fee of 1.75% of the Gross Asset Value of the Company. The management fee is payable quarterly in advance.

In addition, Elysium is entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in Adjusted NAV per Ordinary Share over the course of a ‘performance period’. Elysium is entitled to a performance fee in respect of a performance period only if two conditions are met.

First, a performance hurdle condition must be met. The performance hurdle is that the Adjusted NAV per Ordinary Share at the end of the relevant performance period must exceed an amount equal to the Placing Price, increased at a rate of 7% per annum on a compounding basis up to the end of the relevant performance period.

The second condition to be met (a ‘high watermark’ test) is that the Adjusted NAV per Ordinary Share at the end of the relevant performance period is higher than the highest previously recorded Adjusted NAV per Ordinary Share at the end of a performance period in relation to which a performance fee was last earned (or if no performance fee had been earned since Admission, is higher than the Placing Price).

If the performance hurdle is met, and the high watermark exceeded, the performance fee will be an amount equal to 20% of the excess of the Adjusted NAV per Ordinary Share at the end of the relevant performance period over the higher of (i) the performance hurdle; (ii) the Adjusted NAV per Ordinary Share at the start of the relevant performance period; and (iii) the high watermark (in both cases on a per Ordinary Share basis), multiplied by the time weighted average of the number of Ordinary Shares in issue in the performance period (or since Admission in the first performance period) (together, if applicable, with an amount equal to the VAT thereon).

The Manager has the benefit of an indemnity from the Company in relation to liabilities incurred by the Manager in the discharge of its duties other than those arising by reason of any fraud, willful default, negligence or bad faith on the part of the Manager or its delegates.

The Manager's appointment as investment manager is terminable by either party on not less than twelve months' notice, such notice to expire at any time on or after the third anniversary of Admission. The Management Agreement may also be terminated by either the Manager or the Company if the other party, or CSPFM, has gone into liquidation, administration or receivership or has committed a substantial or continuing breach of the Management Agreement.

The Manager is responsible for the payment of the fees of the Property Manager and Investment Adviser.

8. Dividend

No dividends were paid during the period ended 30 September 2007. However, on 6 August 2007 the Board declared an interim dividend of 3.20 pence per Ordinary Share for the period ended 31 March 2007. This dividend was paid on 16 November 2007 and thus has not been provided for in these interim financial statements.

9. Share Capital

	30 September 2007 (unaudited) £'000	30 September 2006 (unaudited) £'000	31 March 2007 (audited) £'000
Authorised:			
200,000,000 Ordinary Shares of 1 pence each	2,000	2,000	2,000
Issued and fully paid:			
20,000,000 Ordinary Shares of 1 pence each	200	200	200

The Company has the authority to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares until a time when they are either re-issued or cancelled.

Notes to the Condensed Financial Statements (continued)

10. Net asset value per Ordinary Share

The net asset value, in pence per Ordinary Share, is based on the net assets attributable to equity shareholders of £23,037,000 (30 September 2006: £19,053,000, 31 March 2007: £22,401,000) and on 20,000,000 Ordinary Shares in issue at the end of the period (30 September 2006 and 31 March 2007: 20,000,000 Ordinary Shares).

11. Related parties

The relationship and transactions between the Group, and Elysium and Active Property Investments Limited are disclosed in note 7.

The Directors are not aware of any ultimate controlling party.

12. Subsequent events

On 12 October 2007 Collins Stewart Europe Limited resigned as Nominated Adviser and Broker to the Company and Smith & Williamson Corporate Finance Limited was appointed as Nominated Adviser and Liberum Capital Limited was appointed as Broker.

On 17 October 2007 the Manager made available to the Company a £100,000 loan facility. The loan bore interest at the aggregate of the Bank of England base lending rate and a margin of 1.0%. The loan and the related interest were repaid on 16 November 2007.

On 9 November 2007 HSBC Bank plc made available to the Company an overdraft facility of £1,000,000. Interest on this facility is charged at 1.5% over HSBC Bank plc's base rate, which is currently equal to the Bank of England base lending rate. The Manager has provided certain of its own assets as security for this £1,000,000 facility.

On 18 December 2007, HSBC Bank plc made available to the Company's two Turkish subsidiaries two loan facilities totalling US\$17,500,000 which were drawn down on 19 December 2007 and are to be repaid at the end of five years from drawdown. Interest is payable at 2.35% above the US Dollar London interbank euro-currency deposit market rate.

Directors

Charles Parkinson (*Chairman*)
Carol Goodwin

Hugh Ward
Richard Barnes

Advisers

Manager, Administrator, Secretary and Registered Office

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Investment Adviser

Active Property Investments Limited
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Custodian

Collins Stewart (CI) Limited
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