

BULGARIAN PROPERTY DEVELOPMENTS PLC

INTERIM RESULTS

**For the six months ended
30 June 2008**

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COMPANY INFORMATION

for the six months ended 30 June 2008

DIRECTORS:	C D L Williams (<i>Non-Executive Chairman</i>) I L G Hesmondhalgh (<i>Executive Director</i>) P A Pashov (<i>Executive Director</i>) K J Springall (<i>Finance Director</i>) J S Mackay (<i>Non Executive</i>) N K Galchev (<i>Non Executive</i>) R N Galtcheva (<i>Alternate</i>)
SECRETARY:	C R Delacombe
REGISTERED OFFICE:	443 Stroude Road Virginia Water Surrey GU25 4BU
REGISTERED NUMBER:	05118060 (England and Wales)
NOMINATED ADVISER:	Matrix Corporate Capital Limited One Vine Street London W1J 0AH
TAX ADVISERS:	Smith & Williamson Limited 25 Moorgate London EC2R 6AY
SOLICITORS:	Field Fisher Waterhouse 35 Vine Street London EC2N 2AA
BANKERS:	Clydesdale Bank plc 88 Wood Street London EC2V 7QQ
REGISTRARS:	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
AUDITORS:	Nexia Smith & Williamson Registered Auditors 25 Moorgate London EC2R 6AY
STOCKBROKERS:	Fairfax I.S. Limited 46 Berkeley Square London W1J 5AT

CHAIRMAN'S STATEMENT

for the six months ended 30 June 2008

It gives me pleasure to report the Group's results for the six months ended 30 June 2008.

In line with the Board's expectation, the results for the period show a loss after tax of £436,000.

PAYMENT OF SPECIAL DIVIDEND OF £21 MILLION

Following the cancellation of the Company's share premium account and the Company having complied with its undertaking to the Court regarding creditor protection, BPD paid a dividend of 19p per share on 17 July 2008 to shareholders who were on the share register on 11 July 2008.

This was in line with my letter to shareholders dated 7 January 2008 in which I announced that, subject to shareholder approval, the Company would return up to 32p per share to shareholders. As foreshadowed in that letter, once sufficient distributable reserves and cash have been generated from the sale of property, shareholders will be consulted as to whether they wish the balance of 13p per share to be distributed.

INCREASE IN PORTFOLIO AND NET ASSET VALUE

I am pleased to report that, despite the weakening world economy, the portfolio has shown an increase in value from €75.02 million as at 12 December 2007 to €85.99 million as at 30 June 2008. Deducting the effect of the increase in value as a result of the acquisitions of the 50% shareholding in Sandanski Retail Centre OOD and 50% shareholding in Trakia Retail Centre OOD, which were acquired in the period, the like for like portfolio was valued at €82.09 million. This is a like for like increase of 9.4% in the six months period to 30 June 2008 and reflects the fact that BPD's land acquisitions are well located and have, despite slow progress in some cases in obtaining planning consent, in aggregate increased their values.

The effect of this is that the NAV at 30 June 2008 was 82.7p per share. Adjusted for the special dividend of 19p per share, this equates to 63.7p per share.

The valuation assumes the current planning consent for the Group's major Sofia Central Commercial site (see below) of 130,000 square metres. However, if the Group receives approval for its application to increase density on the site to in excess of 250,000 square metres (see below), Colliers consider that such planning consent would increase the Current Value of the site from €39.4 million to €70.7 million (using a developer's margin of 40%), representing an increase of approximately 23p per share.

SALE AND PURCHASE OF PROPERTIES FOLLOWING RE-ARRANGEMENT OF JOINT VENTURES WITH FAIRPLAY

BPD has exchanged but not completed contracts for the sale of its 50% shareholding in Varna Logistics A.D to Fairplay and has simultaneously exchanged and completed on the purchase of Fairplay's 50% shareholdings in Trakia Retail Centre OOD (in Plovdiv) and Sandanski Retail Centre OOD. It has also exchanged contracts for the sale of the whole of the Trakia Retail Centre site to Postroy 2000 EOOD for €6.0 million. The net effect of these transactions will, once they have been completed, be to generate cash of €17.1 million. The Board believes that these transactions provide evidence to reinforce the valuation by Colliers CRE dated 12 December 2007.

Varna Logistics ("VL")

BPD has exchanged contracts for the sale of its 50% shareholding in VL to Fairplay for €15 million. Completion of the purchase is expected to be on 7 December 2008. All loans to VL from Unicredit Bulbank remain the responsibility of VL.

This investment is carried in the audited accounts as at 31 December 2007 on a historical cost basis at €6.792 million and Colliers CRE valued BPD's share of the land held by VL in December 2007 at €14.15 million.

Trakia Retail Centre ("TRC") situated in Plovdiv

BPD has purchased Fairplay's 50% shareholding in TRC for €3.0 million. The consideration for this has not been paid in cash but will be offset against the amount that Fairplay will pay to BPD on completion of its purchase of VL.

CHAIRMAN'S STATEMENT (continued) **for the six months ended 30 June 2008**

BPD simultaneously exchanged contracts to sell the whole site to Prostroy 2000 EOOD at a price of €6.0 million. Completion of the purchase is due on or before 1 December 2008.

This investment is carried in the audited accounts as at 31 December 2007 on a historical cost basis at €2.317 million and Colliers CRE valued BPD's share of the land held by TRC in December 2007 at €3.740 million.

Sandanski Retail Centre ("SRC")

BPD purchased Fairplay's 50% shareholding in SRC for a price of €900,000. The consideration for this has not been paid in cash but will be offset against the amount that Fairplay will pay to BPD on completion of its purchase of VL.

This investment is carried in the audited accounts as at 31 December 2007 on a historical basis at €484,000 and Colliers CRE valued BPD's share of the land held by SRC in December 2007 at €450,000. Since that time, the site has been rezoned and access problems resolved with the Department of Transport. BPD intends to commence work on this project before the end of the year.

THE PORTFOLIO

The Sofia Central Commercial Site

This is the Group's most important asset and represents almost half of the value of the Group's portfolio.

The Group has applied for permission to increase the permitted build area on the site from 130,000 square metres to in excess of 250,000 square metres. The rezoning process is under way and, in line with earlier expectations, the Directors believe that permission should be granted for the increase in density by the end of the year. The effect of such an increase in density would be that the value of the site would increase from the value ascribed to it by Colliers in June 2008 of €39.4 million to €70.7 million (using a developer's margin of 40%), equivalent to approximately 23p per share.

Sofia Ring Road Sites

Ring Road Site One

This is a site of approximately 92,000 square metres. Prices in the area have continued to rise and there are indications that, following other developments in the area, the site could be used for a mixture of retail and warehousing rather than just warehousing, which should enhance the site's value. Rezoning of this site has been halted until the new Sofia Masterplan comes into force.

Ring Road Site Two

Ring Road Site Two which is approximately 20,000 square metres has received rezoning from agricultural use to commercial use for the front half of the site, which is adjacent to the ring road. Rezoning of the rear portion of the site has nearly been completed. The application is now only awaiting signature by the planning authority.

The Group intends to build a warehouse and associated offices of approximately 11,000 square metres on the site. However, construction has been held up by the failure of a local authority to provide electricity to the site. Every effort is being applied to resolve the situation.

Sofia Airport

The Group owns two sites near the airport in Sofia, totalling 38,000 square metres. The masterplan for the airport area has still to be completed and this has delayed the rezoning of the sites. However, the new airport terminal is now operational and work has now commenced on an adjacent site belonging to Tishman and GE. These factors have contributed to a significant growth in site values in this area.

In my last statement I said that I believed that we would shortly be receiving planning permission on Airport Site One. Unfortunately, shortly before permission was due to be granted a neighbouring owner commenced a court case against the local authority objecting to a road that was proposed to pass through their property and on to our property. This case has delayed the granting of approval.

CHAIRMAN'S STATEMENT (continued) **for the six months ended 30 June 2008**

Ruse

The Group owns a 53,676 square metre plot of land in Ruse. Ruse is located in northern Bulgaria at a point where the strategically important Pan European Transport Corridor 9 crosses the river Danube by a rail and road bridge. The transport corridor connects Romania and north-eastern Europe with Bulgaria, Turkey and eastern Greece. This makes Ruse an excellent location for distribution warehousing.

The plot is in the new Ruse Industrial Park, approximately one kilometre from the bridge. Modern infrastructure is being provided by the municipality of Ruse. This will reduce the cost of any development on the site.

The Group intends to construct two warehouses (with associated offices) totalling approximately 23,000 square metres on the site over the next two years.

King Sturge has been appointed as the sole letting agent.

Plans have been submitted to Ruse municipality and a building permit has been granted.

The project managers have issued building tender documentation for the first phase of the development. Building costs are being analysed and the design refined to allow for cost savings.

It is intended that building works commence towards the end of 2008.

Sandanski

The Group now owns 100% of the proposed development of a shopping centre in Sandanski, south west Bulgaria.

Sandanski is a regional hub for this part of Bulgaria. It is a prosperous small city and is a significant destination for Greek tourists who are attracted by the healthy climate, the mineral waters and the cheap cost of living. The location of the site (on the E79 from Greece to Sofia and opposite the turning to Sandanski) makes it convenient for both the inhabitants of Sandanski (and neighbouring towns) as well as road traffic passing through on its way to Sofia or Greece.

The site is approximately 17,000 square metres on which it is proposed to build a shopping centre on three floors totalling approximately 15,000 square metres. The land was originally designated for agricultural purposes but change of zoning has now been approved. Detailed consultations are in process over road access and the provision of utilities.

King Sturge have been appointed as consultants to the project. The Group is in the process of appointing letting agents.

Construction is anticipated to commence in early 2009.

Bansko

As I reported in my last statement, the Group has decided to mothball this site until the market in ski resorts improves. The cost to the Group of the site is less than 1% of the Group's assets.

Pleven

The Group is part of a joint venture that purchased a plot of 36,500 square metres from the municipality of Pleven in October 2006 for €1.618 million. The Group has a 38% share in the joint venture. Pleven is a busy town of 120,000 inhabitants in the north of Bulgaria. The site has planning permission for retail use.

The project has been delayed, principally due to a change in the scale of the proposed development. As a result, Pleven municipality has the right to impose certain penalties on the consortium. Negotiations are in progress with the municipality for these penalties to be waived on the basis that the project is now significantly larger than originally proposed.

CHAIRMAN'S STATEMENT (continued) **for the six months ended 30 June 2008**

Vidin

The Group purchased a 50% stake on 19 June 2007 in the proposed development of a shopping centre in Vidin, north west Bulgaria from Fairplay International for €1.555 million. The shopping centre will be developed in partnership with Fairplay Commercial who retain the other 50% of the project. The size of the site is just under 12,000 square metres and is located close to the centre of Vidin.

A combination of a change of regional government and a successful court case by a neighbour has led to the planning status of this site being revoked by the new administration and the possibility that part of the site may be used for a new road. For this reason the Board felt it prudent to make an impairment provision for this property in the accounts to December 2007 of £729,000.

Negotiations are continuing with the local authority to resolve this issue.

SOFIA ESTATES DEVELOPMENT OOD ("SED")

The Group has purchased a 50% stake of the share capital of a project management company, SED, a company managed by Bulgarian project management veteran, Trifon Trifonov. The total cost of the purchase was €500,000.

SED has over 50 staff and is project managing the Group's developments in Ruse and Sandanski.

Since the financial statements of SED showed a negative net asset position as at 30 June 2008, the carrying value of this investment has been written down to zero as at 30 June 2008.

STAFFING

The Group has continued to recruit staff at all levels. In particular, it has recruited a Bulgarian in-house lawyer, Anton Karlov. Anton trained as a lawyer in the USA and, before returning to Bulgaria, had been working for a New York law firm.

OUTLOOK

As I write, there seems to be no immediate prospect of a return to normality in global financial market conditions.

The real estate sector is amongst those worst affected by the current turmoil. Nevertheless, I believe we may take some comfort from the fact that our property in Bulgaria, which has been revalued in the last month, has increased in value.

Your Company has a strong balance sheet which reflects our focus on value, which is high, and our approach to risk, which is not high. I believe that we will not only survive in the current economic conditions but continue to create value despite them.

Christian Williams
Chairman

24 September 2008

INDEPENDENT REVIEW REPORT

To the shareholders of Bulgarian Property Developments Plc

1. Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2008 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 14.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rule 18. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report or for the conclusions we have reached.

2. Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with AIM Rule 18.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. It is the responsibility of the directors to ensure that the condensed set of financial statements included in this half-yearly report have been prepared on a basis consistent with that which will be adopted in the Group's annual financial statements.

3. Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

4. Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

5. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the requirements of the AIM rules.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

24 September 2008

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008

	<i>Notes</i>	Unaudited			Audited		
		<i>Six months ended 30 June 2008</i>			<i>Six months ended 31 December 2007</i>		
		<i>Group</i>	<i>Interests in joint ventures</i>	<i>Total</i>	<i>Group</i>	<i>Interests in joint ventures</i>	<i>Total</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Revenue		462	246	708	347	110	457
Personnel expenses		(277)	(161)	(438)	(256)	(28)	(284)
Management fees		(407)	–	(407)	(400)	–	(400)
Depreciation		(582)	(6)	(588)	(3)	(1)	(4)
Other expenses	4	(520)	(282)	(802)	(1,240)	(83)	(1,323)
Impairment of investment properties	5	(146)	–	(146)	(75)	(819)	(894)
Foreign exchange gains/(losses)		1,151	(2)	1,149	1,201	–	1,201
Operating loss		<u>(319)</u>	<u>(205)</u>	<u>(524)</u>	<u>(426)</u>	<u>(821)</u>	<u>(1,247)</u>
Share of operating loss in joint ventures		<u>(205)</u>			<u>(821)</u>		
Total operating loss:		<u>(524)</u>			<u>(1,247)</u>		
Group and share of joint ventures							
Investment revenues							
Group		591			727		
Joint ventures		–			–		
		<u>591</u>			<u>727</u>		
Finance costs							
Group		–			–		
Joint ventures		(88)			(74)		
		<u>(88)</u>			<u>(74)</u>		
Loss before tax for the period		<u>(21)</u>			<u>(594)</u>		
Taxation							
Group		(406)			(380)		
Joint ventures		(9)			(8)		
		<u>(415)</u>			<u>(388)</u>		
Loss for the period		<u>(436)</u>			<u>(982)</u>		
Attributable to:							
Equity holders of the parent company		<u>(436)</u>			<u>(982)</u>		
Loss per share – basic and diluted	7	(0.41p)			(0.92p)		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**At 30 June 2008**

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Special reserve £'000</i>	<i>Equity shares to be issued £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
Balance at 30 June 2007	26,698	31,351	–	201	(1,400)	56,850
Exchange differences on translation of foreign operations	–	–	–	–	2,740	2,740
Loss for the six months to 31 December 2007	–	–	–	–	(982)	(982)
Total recognised income and expense for the period	–	–	–	–	1,758	1,758
Share based payments	–	26	–	(26)	–	–
Issue of equity share capital	44	44	–	–	–	88
Costs of issue	–	(5)	–	–	–	(5)
Balance at 31 December 2007	26,742	31,416	–	175	358	58,691
Exchange differences on translation of foreign operations	–	–	–	–	2,457	2,457
Loss for the six months to 30 June 2008	–	–	–	–	(436)	(436)
Total recognised income and expense for the period	–	–	–	–	2,021	2,021
Share based payments	–	175	–	(175)	–	–
Issue of equity share capital	318	382	–	–	–	700
Transfer to distributable reserves following restructure*	–	(31,973)	31,973	–	–	–
Balance at 30 June 2008	27,060	–	31,973	–	2,379	61,412
Attributable to: Equity holdings of the parent company	27,060	–	31,973	–	2,379	61,412

*At a General Meeting of the Company held on 7 April 2008 a special resolution to cancel the Company's Share Premium account was approved. An application to the Courts was then made to create a Special reserve which will be treated as distributable. The Court Order became effective on 28 May 2008 subject to funds equal to outstanding creditors on 22 May 2008 being set up in a blocked trust bank account. As at 30 June 2008 the blocked funds amounted to £200,944.

CONSOLIDATED BALANCE SHEET

At 30 June 2008

	<i>Notes</i>	Unaudited <i>30 June 2008</i>			Audited <i>31 December 2007</i>		
		<i>Group</i> £'000	<i>Interests in joint ventures</i> £'000	<i>Total</i> £'000	<i>Group</i> £'000	<i>Interests in joint ventures</i> £'000	<i>Total</i> £'000
Non-current assets							
Plant and equipment		27	60	87	9	17	26
Investment in joint ventures	8	6,855	(6,885)	–	8,181	(8,181)	–
Investment properties		27,012	1,492	28,504	24,777	7,932	32,709
Assets under construction		–	–	–	–	621	621
Total non-current assets		33,894			32,967		
Current assets							
Assets held for sale	9	4,156	7,453	11,609	–	–	–
Trade and other receivables		453	18	471	575	102	677
Cash and cash equivalents		26,651	38	26,689	26,479	19	26,498
Total current assets		31,260	7,509	38,769	27,054	121	27,175
Current liabilities							
Trade and other payables		(3,305)	(2,192)	(5,497)	(948)	(210)	(1,158)
Current tax liabilities		(437)	(2)	(439)	(382)	(11)	(393)
Total current liabilities		(3,742)	(2,194)	(5,936)	(1,330)	(221)	(1,551)
Net current assets		27,518			25,724		
Non-current liabilities							
Financial liabilities		–	(12)	(12)	–	(289)	(289)
Net assets		61,412			58,691		
Represented by:							
Equity							
Share capital	10	27,060			26,742		
Share premium		–			31,416		
Special reserve		31,973			–		
Equity shares to be issued		–			175		
Retained earnings		2,379			358		
Total equity		61,412			58,691		

The financial statements were approved by the Board of Directors on 24 September 2008 and signed on its behalf by:

John Mackay
Director

Keith Springall
Director

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008

	Unaudited	Audited
	<i>Six months ended</i>	<i>Six months ended</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Operating activities		
Operating loss	(319)	(426)
Investment revenues	591	727
Taxation	(406)	(380)
	(134)	(79)
<i>Adjustments for:</i>		
Depreciation	582	3
Impairment of investment property	146	75
Loss from joint venture	200	261
Taxation	39	311
	833	571
<i>Operating cash flow before working capital changes</i>		
Decrease in trade and other receivables	146	786
(Decrease)/increase in trade and other payables	(773)	551
	(627)	1,337
<i>Net cash flows from operating activities</i>		
Investing activities		
Acquisition of investment	(200)	(261)
Investments in joint ventures	(392)	(726)
Payments to acquire property, plant and equipment	(18)	(2)
Payments to acquire investment properties	(1,017)	(1,906)
	(1,627)	(2,895)
<i>Net cash flows from investing activities</i>		
Effects of exchange rates on cash and cash equivalents	893	105
	893	105
Financing activities		
Proceeds from issue of shares	700	21,327
Less issue costs	–	(5)
	700	21,322
<i>Net cash flows from financing activities</i>		
Increase in cash and cash equivalents	172	20,440
Cash and cash equivalents at beginning of year	26,479	6,039
Cash and cash equivalents at end of year	26,651	26,479

NOTES TO THE INTERIM ACCOUNTS

for the six months ended 30 June 2008

- 1** This financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for Bulgaria Property Developments Plc for the period ended 31 December 2007 reported under International Financial Reporting Standards (IFRS) as adopted by the EU, on which the auditors gave an unqualified opinion and contained no statement under s237(2) or s237(3), are available at the Registrar of Companies.

Copies of this statement will be posted to shareholders. Further copies are available free of charge on request from the Company Secretary at the Company's registered office, 443 Stroude Road, Virginia Water, Surrey GU25 4BU.

2 ACCOUNTING POLICIES

Basis of accounting

The financial information set out in these interim statements for the six months ended 30 June 2008 has been prepared in accordance with IFRS and IAS 34 (Interim Financial Reporting) on the basis of the accounting policies set out in the statutory accounts of Bulgarian Property Developments plc for the six months ended 31 December 2007 modified during the period ended 30 June 2008 in respect of depreciation of buildings, as set out below. These interim statements have not been audited but have been reviewed by the Company's auditors, Nexia Smith & Williamson.

Change of accounting reference date and comparative information

The accounting reference date for Bulgarian Property Developments plc was changed in order to streamline reporting so that the balance sheet date for the parent company, Bulgarian Property Developments plc, is co-terminus with that of the principal subsidiary Bulgarian Property Developments EOOD and all of its subsidiaries and Joint Venture investments, given that the balance sheet date for entities incorporated in Bulgaria must be 31 December each year. The comparative amounts for the income statement, statement of changes in equity, balance sheet, cash flow statement and notes which have been included within these interim statements are derived from the audited statutory accounts of the group for the six months to 31 December 2007. Accounts for the period for the six months to 30 June 2007 were not prepared. The previously prepared interim accounts were for the six month period to 31 December 2006. In the opinion of the Directors, since Bulgarian Property Developments plc is a property company, its business is not seasonally affected and the comparatives used are the most appropriate.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 December each year with effect from 1 July 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Bulgarian Property Developments Group includes Bulgarian Property Developments Plc, its 100% Bulgarian subsidiary, Bulgarian Property Developments EOOD and its 100% subsidiaries: Bulgarian Property Developments 1 EOOD, Bulgarian Property Developments 2 EOOD, Bulgarian Property Developments 4 EOOD, Bulgarian Property Developments 5 EOOD and Bulgarian Property Developments Bansko EOOD. With effect from 9 June 2008, the entities Trakia Retail Centre OOD and Sandanski Retail Centre OOD were also 100% subsidiaries of Bulgarian Property Developments EOOD, previously they were both 50% owned joint ventures. These transactions have been treated as an acquisition of land rather than a business combination.

NOTES TO THE INTERIM ACCOUNTS (continued)
for the six months ended 30 June 2008

2 ACCOUNTING POLICIES (continued)

Investment properties

The group reviewed its property portfolio and strategy in December 2007. As a result of this review, all properties were reclassified from inventory to investment properties.

Investment properties are those properties that are held by the Group or in joint ventures either to earn rental income or for capital appreciation or both. Investment properties are measured at cost plus associated transaction costs as permitted by IAS 40. Properties are treated as acquired at the point when the Group assumes title to ownership on completion and as disposed when the title is transferred to the buyer on completion of the transaction. Additions to investment properties consist of costs of a capital nature.

When the Group redevelops an investment property for continued use as a development property, the property remains a development property and is accounted for as such.

The cost of buildings is depreciated at 15% per annum on a straight line basis. The depreciation rate has been increased from 4% following a review by the directors of the remaining useful lives of the buildings. Land is not depreciated. As the decision to reclassify the properties to investment properties was made in December 2007, no depreciation was charged in the audited accounts for the six months ended 31 December 2007. Depreciation has been charged since 1 January 2008.

A professional valuation is made as of each reporting date, of each investment property. Where the professional valuation shows a value lower than cost, the carrying value of that property within the accounts is reduced to the valuation. No account is taken of any fair value gains in investment properties as a result of professional valuations.

Investment properties held for sale are classified as current assets under IFRS 5.

3 REVENUE

All revenue generated is from rental income in Bulgaria.

4 OTHER EXPENSES

	<i>Six months ended</i> <i>30 June 2008</i> <i>£'000</i>	<i>Six months ended</i> <i>31 December 2007</i> <i>£'000</i>
Administrative expenses	214	207
Potential fines at Pleven property	–	92
Takeover defence costs	–	680
Corporate finance costs	106	–
Loss from investment in Joint Venture: Sofia Estate Developments EOOD	200	261
	<u>520</u>	<u>1,240</u>

NOTES TO THE INTERIM ACCOUNTS (continued)
for the six months ended 30 June 2008

5 IMPAIRMENT OF INVESTMENT PROPERTIES

	<i>Six months ended</i> <i>30 June 2008</i> <i>£'000</i>	<i>Six months ended</i> <i>31 December 2007</i> <i>£'000</i>
Impairment of investment properties	146	75
	<u>146</u>	<u>75</u>

The impairment loss of £146,000 relates to the write down of the carrying value of Bansko to the value calculated by Colliers CRE as at 30 June 2008.

The impairment loss of £75,000 relates to the write down of the carrying value of Ruse to the value calculated by Colliers CRE as at 12 December 2007.

6 SEGMENTAL ANALYSIS

All of the Group's operations have occurred in Bulgaria and are in the same business sector.

7 LOSS PER SHARE

	<i>Six months ended</i> <i>30 June 2008</i> <i>£'000</i>	<i>Six months ended</i> <i>31 December 2007</i> <i>£'000</i>
Earnings for the purpose of basic and diluted earnings per share being net loss attributable to equity shareholders		
Loss for the period	(436)	(982)
	<u>(436)</u>	<u>(982)</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	107,406,746	106,892,732
	<u>107,406,746</u>	<u>106,892,732</u>

The diluted loss per share is identical to that used for basic loss per share as the exercise of options would have the effect of reducing the loss per share and therefore is not dilutive under IAS 33 "Earnings per share".

NOTES TO THE INTERIM ACCOUNTS (continued)
for the six months ended 30 June 2008

8 INVESTMENTS

The Company's investments at the balance sheet date are in the share capital of unlisted companies, all of which are involved in the purchase and sale of properties, property management and development.

	<i>Country of Incorporation</i>	<i>% holding</i>
Owned directly by Bulgarian Property Development Plc		
Bulgarian Property Developments EOOD	Bulgaria	100
Owned directly by Bulgarian Property Developments EOOD		
Bulgarian Property Developments Bansko EOOD	Bulgaria	100
Bulgarian Property Developments 1 EOOD	Bulgaria	100
Bulgarian Property Developments 2 EOOD	Bulgaria	100
Bulgarian Property Developments 4 EOOD	Bulgaria	100
Bulgarian Property Developments 5 EOOD	Bulgaria	100
Trakia Retail Centre OOD	Bulgaria	100
Varna Logistics AD	Bulgaria	50
Vidin Retail Centre OOD	Bulgaria	50
Pleven Retail Centre OOD	Bulgaria	38
Sandanski Retail Centre OOD	Bulgaria	100
Sofia Estates Developments OOD	Bulgaria	50

Group

Joint ventures

As at 30 June 2008, the Group had the following interests in joint ventures:

	<i>% holding</i>
Varna Logistics AD	50
Vidin Retail Centre OOD	50
Pleven Retail Centre OOD	38
Sofia Estates Developments OOD	50

All joint ventures are involved in property development, property trading or property project management in Bulgaria.

On 3 July 2007, the Group acquired 50% of the share capital of Sandanski Retail Centre OOD at a price of Lev 416,000 to form a joint venture with Fairplay International A.D. On 9 June 2008 the Group acquired the 50% shareholding of Fairplay International A.D. for a consideration of €900,000.

On 15 November 2007, the Group acquired 32% of the share capital of Sofia Estates Developments OOD (SED) at a price of Lev 696,000. This investment was treated as an associated company as at 31 December 2007 and a joint venture as at 30 June 2008 following the acquisition of a further 18% of SED for a consideration of €209,000 on 15 January 2008. Since the financial statements available to the Group for SED showed a negative net asset position as at 30 June 2008, the carrying value of this investment was written down to zero as at 30 June 2008.

On 9 June 2008 BPD EOOD approved the sale of its 50% interest in the shares of Varna Logistics AD to Fairplay International AD (FPI) at the price of €15 million and preliminary agreement for this was concluded on 9 June 2008. Completion is expected on or before 9 December 2008.

NOTES TO THE INTERIM ACCOUNTS (continued)
for the six months ended 30 June 2008

8 INVESTMENTS (continued)

Amounts owed by the joint venture operations to Bulgarian Property Developments EOOD as at 30 June 2008 were:

	<i>30 June 2008</i>	<i>31 December 2007</i>
	<i>£'000</i>	<i>£'000</i>
Varna Logistics	185	182
Vidin Retail Centre	14	8
Pleven Retail Centre	558	494
Sofia Estates Development OOD	37	–
	<u> </u>	<u> </u>

All the joint ventures in Bulgaria have statutory accounting periods ending on 31 December. The Group's share of results has been based on the joint ventures interim accounts for the period ended 30 June 2008.

9 ASSETS HELD FOR SALE

	<i>As at</i>	<i>As at</i>
	<i>30 June 2008</i>	<i>31 December 2007</i>
	<i>£'000</i>	<i>£'000</i>
	4,156	–
	<u> </u>	<u> </u>

Assets held for sale represents the carrying amount for the agreed sale of the 21,830 sq. m. plot of land at Plovdiv held by Trakia Retail Centre OOD for €6 million. Completion is expected on or before 1 November 2008.

10 CALLED UP SHARE CAPITAL

	<i>As at</i>	<i>As at</i>
	<i>30 June 2008</i>	<i>31 December 2007</i>
Ordinary Share Capital of 25p Nominal Value:		
Authorised (number)	200,000,000	200,000,000
Authorised (value)	£50,000,000	£50,000,000
Allotted, issued and fully paid (number)	108,238,914	106,966,187
Value	£27,059,728	£26,741,547

Under an agreement dated 20 December 2005, the Company granted Fairfax I.S. Limited the right to subscribe for 1,272,727 ordinary shares of 25p in the Company at an exercise price of 55p. This option was exercised on 28 April 2008.

11 CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2008.

12 RELATED PARTY TRANSACTIONS

On 15 September 2004, the Company entered into a Management Agreement with Bulgarian Property Management LLP, to provide certain management services to the Company in consideration of the payment by the Company of an annual administration fee and an annual performance fee. These obligations also include the provision of services to fulfil the Company's executive functions. These services represent the executive requirements for the Company. The details of this arrangement were fully disclosed both in the admission document when the Company was admitted to AIM and in the offer for subscription document dated 15 September 2004. This agreement was amended on 19 December 2005 to provide for a change to the annual performance fee, where the hurdle rate was raised from the average 3 month Euribor rates to be a flat 8% per annum.

NOTES TO THE INTERIM ACCOUNTS (continued)
for the six months ended 30 June 2008

12 RELATED PARTY TRANSACTIONS (continued)

On 27 March 2006, the agreement with Bulgarian Property Management LLP was terminated and a management agreement between the Company and Bulgarian Property Management Limited was entered into on the same terms and conditions as the agreement with Bulgarian Property Management LLP (as amended).

On 4 June 2007, this management agreement was amended to increase the annual return to be achieved by the Company before a performance fee became payable to Bulgarian Property Management Limited from 8% per annum to 10% per annum and to change the annual administration fee to a flat rate of 2% of the Group's audited net assets.

On 20 November 2007, the Company and Bulgarian Property Management Limited terminated the management agreement dated 27 March 2006 and entered into a further management agreement. The only material change in the terms of the management agreement dated 20 November 2007 relates to the calculation of the performance fee payable to Bulgarian Property Management Limited in the event of termination of the replacement management agreement.

Bulgarian Property Management LLP and Bulgarian Property Management Limited are controlled by Ivo Hesmondhalgh and Philip Pashov, who are both directors of the Company.

In the six months to 30 June 2008, the Company was charged £407,000 by Bulgarian Property Management Limited (in the six month period to 31 December 2007, £400,000 was charged). At 30 June 2008 £23,000 was due from Bulgarian Property Management Limited to the Company (31 December 2007, £24,000).

For amounts owed by the Group's joint venture operations to Bulgarian Property Developments EOOD as at 30 June 2008, please refer to Note 8. These balances represent short term loans, together with accrued interest on those loans.

Transactions between the Company and Bulgarian Property Developments EOOD, which is 100% owned by the Company in the period were as follows:

	<i>Six months ended</i> 30 June 2008 £'000	<i>Six months ended</i> 31 December 2007 £'000
<i>Transactions</i>		
Loan provided by Bulgarian Property Development plc to Bulgarian Property Development EOOD	–	1,756
Interest charged by Bulgarian Property Development plc to Bulgarian Property Development EOOD	525	32
Management fee charged by Bulgarian Property Development plc to Bulgarian Property Development EOOD	30	54
	<hr/>	<hr/>
	<i>30 June 2008</i> £'000	<i>31 December 2007</i> £'000
<i>Receivables</i>		
Loan from Bulgarian Property Development plc to Bulgarian Property Development EOOD	13,314	1,756
Interest	852	789
Management fee	95	65
	<hr/>	<hr/>
	14,261	2,610
	<hr/>	<hr/>

NOTES TO THE INTERIM ACCOUNTS (continued)
for the six months ended 30 June 2008

13 SUBSEQUENT EVENTS

Following the cancellation of the Company's share premium account becoming effective and the Company having complied with its undertaking to the Court regarding creditor protection, the directors declared a dividend of 19p per share for shareholders. The shares commenced trading ex dividend on 9 July 2008 and the dividend was paid on 17 July 2008 to shareholders on the register on 11 July 2008. The total value of the dividend was £20,565,394. The payment of the dividend will be accounted for in the six months to 31 December 2008.

14 CONTINGENT LIABILITIES

There are court claims raised with respect to the title over certain plots of land acquired by Bulgarian Property Developments 2 EOOD. As at the date of these interim statements, the outcome of the claims cannot be estimated reliably. The contingent liability related to these claims is securitised by an amount of €400,000 in escrow as part of Bulgarian Property Developments 2 EOOD's purchase price of the land.

As a result of a court resolution the borders and the area of the Regulated Land Plot III owned by Vidin Retail Centre (VRC) have been reduced by 3,641 square metres (from an area of 11,660 square metres to 8,019 square metres) in Vidin quarter 515a, and also the purpose of the plot has been reverted to that of a 'Theatre' from a 'Commercial complex'. As a result an impairment of the value of the property has been booked.

The Municipality of Vidin has not sought to recover the ownership of the 3,641 square metres and evict VRC. In case of eviction by VRC, of part or the entire area of the properties, on any grounds, Fairplay International AD (FPI) shall be obliged to pay to Bulgarian Property Developments a monetary compensation amounting to a percentage of Bulgarian Property Development's buying price, equal to double the size of the percent of reduction of the area of the Properties after the eviction. As there is no official eviction of VRC on any part of its territory, no provision has been made or an asset for recovery from FPI accounted for.

VRC will reapply for planning permission on the site in the near future.

On 3 April 2008, the Municipality of Pleven registered a mortgage over the 36,515 square metres of land, owned by Pleven Retail Centre OOD, in order to guarantee penalties due to them under the contract for sale dated 11 October 2006. The penalties due are for the non-execution of investment obligations set out in the contract for sale. A provision of £92,000 in respect of possible penalties was made in the audited accounts for the six months ended 31 December 2007.

