

**GLOBE TRADE CENTRE S.A.**

**IFRS CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2006**

**Globe Trade Centre S.A.**  
**Consolidated Balance Sheet**  
**as of 31 December 2006**  
**(in thousands of US Dollars)**

	<u>Note</u>	<u>31 December</u> <u>2006</u>	<u>31 December</u> <u>2005</u>
<b>ASSETS</b>			
<b>Non current assets</b>			
Investment property	16	713,128	682,928
Property, plant and equipment	15	224,110	150,249
Investment in associates	17	37,556	19,527
Loans granted	27	10,159	-
Deferred tax asset	14	3,983	3,585
Long term receivable		5,932	-
Advances to contractors		12,272	6,618
Goodwill	35	11,739	16,702
Other non-current assets	18	2,304	1,075
		<b>1,021,183</b>	<b>880,684</b>
<b>Current Assets</b>			
Inventory		152,406	37,485
Debtors		5,075	2,677
Accrued income	19	17,099	29,179
Derivatives	20	860	-
VAT and other tax receivable		15,939	14,809
Income tax recoverable		2,137	1,959
Prepayments, deferred expenses, and other receivables		3,263	2,281
Short-term deposits	21	10,385	16,185
Cash and cash equivalents	22	365,464	73,204
		<b>572,628</b>	<b>177,779</b>
<b>TOTAL ASSETS</b>		<b>1,593,811</b>	<b>1,058,463</b>

The accompanying notes are an integral part of this Consolidated Balance Sheet

**Globe Trade Centre S.A.**  
**Consolidated Balance Sheet**  
**as of 31 December 2006**  
**(in thousands of US Dollars)**

	<u>Note</u>	<u>31 December</u> <u>2006</u>	<u>31 December</u> <u>2005</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to equity holders of the parent</b>			
Share capital	25	6,195	5,632
Share premium	25	291,994	140,198
Capital reserve		1,988	1,231
Hedge reserve		337	(284)
Foreign currency translation		15,457	(6,743)
Accumulated profit		646,351	405,564
		<b>962,322</b>	<b>545,598</b>
<b>Minority Interest</b>		<b>33</b>	<b>801</b>
<b>Total Equity</b>		<b>962,355</b>	<b>546,399</b>
<b>Long-term Liabilities</b>			
Long-term portion of long-term loans	24	340,272	401,513
Deposits from tenants		1,933	3,513
Long term payable	34	3,555	1,102
Financial liability	32	12,389	-
Provision for deferred tax liability	14	71,520	40,914
		<b>429,669</b>	<b>447,042</b>
<b>Current Liabilities</b>			
Trade and other payables		55,202	23,999
Current portion of long-term loans	24	63,263	19,971
Credit line	23	3,989	-
Current portion of long term payable	34	4,822	6,052
VAT and other taxes payable		16,867	1,908
Income tax payable		13,254	3,920
Accruals		25,645	4,732
Advances received		18,555	1,844
Deferred income		104	536
Derivatives	20	86	2,060
		<b>201,787</b>	<b>65,022</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,593,811</b>	<b>1,058,463</b>

The accompanying notes are an integral part of this Consolidated Balance Sheet

**Globe Trade Centre S.A.**  
**Consolidated Income Statement**  
**for the year ended 31 December 2006**  
**(in thousands of US Dollars)**

	Note	<u>Year ended</u> <u>31 December 2006</u>	<u>Year ended 31</u> <u>December 2005</u>
Revenues from operations	8	101,516	95,639
Costs of operations	9	(40,283)	(38,581)
<b>Gross margin from operations</b>		<b>61,233</b>	<b>57,058</b>
Selling expenses	10	(3,680)	(3,452)
Administration expenses	11	(18,653)	(9,013)
Profit from revaluation of investment property	16	255,604	150,901
Other income/ (expenses), net	28	3,120	289
<b>Profit from continuing operations before tax and financial related income / (expense)</b>		<b>297,624</b>	<b>195,783</b>
Foreign exchange differences gain/(loss), net		12,576	(2,459)
Interest income		7,375	3,582
Other financial expenses, net	12	(20,660)	(23,219)
Profit on sale of subsidiaries	29	1,672	
Profit on sale of investment in marketable securities		-	4,091
Share of profit/ (losses) from associates	17	5,560	533
<b>Profit before taxation</b>		<b>304,147</b>	<b>178,311</b>
Taxation	14	(50,737)	(34,248)
<b>Profit for the year</b>		<b>253,410</b>	<b>144,063</b>
<b>Attributable to:</b>			
Equity holders		249,926	140,145
Minority interest		3,484	3,918
Basic earnings per share (USD)	26	1.17	0.70
Diluted earnings per share (USD)	26	1.16	0.70

The accompanying notes are an integral part of this Consolidated Income Statement

**Globe Trade Centre S.A.**  
**Consolidated Statement of Changes in Equity**  
**for the years ended 31 December 2006**  
**(in thousand of US Dollars)**

	Issued and paid in share capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation	Net unrealized gain/loss on investment in marketable securities	Accumulated profit	Total	Minority interest	Total
<b>Balance as of 1 January 2005</b>	<b>5,602</b>	<b>138,209</b>	<b>1,231</b>	<b>(1,719)</b>	<b>4,762</b>	<b>1,699</b>	<b>265,419</b>	<b>415,203</b>	<b>11,131</b>	<b>426,334</b>
Net change in investment in marketable securities	-	-	-	-	-	(1,699)	-	(1,699)	-	(1,699)
Hedge transactions	-	-	-	1,018	-	-	-	1,018	-	1,018
Currency translation differences	-	-	-	-	(11,826)	-	-	(11,826)	(2,420)	(14,246)
Sale of subsidiary	-	-	-	417	321	-	-	738	-	738
Profit for the year ended 31 December 2005	-	-	-	-	-	-	140,145	140,145	3,918	144,063
Issuance of shares	30	98	-	-	-	-	-	128	-	128
Share based payment	-	1,891	-	-	-	-	-	1,891	-	1,891
Acquisition of shares	-	-	-	-	-	-	-	-	(11,828)	(11,828)
<b>Balance as of 31 December 2005</b>	<b>5,632</b>	<b>140,198</b>	<b>1,231</b>	<b>(284)</b>	<b>(6,743)</b>	<b>-</b>	<b>405,564</b>	<b>545,598</b>	<b>801</b>	<b>546,399</b>
Hedge transactions	-	-	-	622	-	-	-	622	-	622
Currency translation differences	-	-	-	-	23,985	-	-	23,985	366	24,351
Disposal of subsidiary	-	-	-	(1)	(1,785)	-	-	(1,786)	-	(1,786)
Increase in capital reserve	-	-	757	-	-	-	(757)	-	-	-
Profit for the year ended 31 December 2006	-	-	-	-	-	-	249,926	249,926	3,484	253,410
Share based payment	-	4,119	-	-	-	-	-	4,119	-	4,119
Issuance of shares	563	147,677	-	-	-	-	-	148,240	-	148,240
Put option granted to minority (see note 32)	-	-	-	-	-	-	(8,382)	(8,382)	(4,618)	(13,000)
<b>Balance as of 31 December 2006</b>	<b>6,195</b>	<b>291,994</b>	<b>1,988</b>	<b>337</b>	<b>15,457</b>	<b>-</b>	<b>646,351</b>	<b>962,322</b>	<b>33</b>	<b>962,355</b>

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity

**Globe Trade Centre S.A.**  
**Consolidated Cash Flow Statement**  
**for the years ended 31 December 2006**  
**(in thousand of US Dollars)**

	<u>Year ended</u> <u>31 December</u> <u>2006</u>	<u>Year ended</u> <u>31 December</u> <u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit from continuing operations before tax and financial related income / (expense)	297,624	195,783
<b>Adjustments for:</b>		
Revaluation of investment properties	(255,604)	(150,901)
Share based payment	4,119	1,891
Depreciation and amortization	323	241
<b>Operating cash before working capital changes</b>	<b>46,462</b>	<b>47,014</b>
Decrease in debtors and prepayments and other current assets	(15,528)	(5,156)
Decrease/(increase) in inventory	(67,375)	(3,615)
Decrease in provisions	-	(450)
Increase/ (decrease) in advances received	29,358	(287)
Increase in other non-current assets	1,584	(78)
Increase in short-term payables and accruals	3,105	785
Cash generated from operations	(2,394)	38,213
Interest paid	(22,834)	(23,006)
Interest received	6,773	3,272
Tax paid in the period	(1,716)	(2,892)
<b>Net cash from / (used) in operating activities</b>	<b>(20,171)</b>	<b>15,587</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(129,378)	(136,560)
Purchase of shares in subsidiaries, net of cash acquired	30 (45,701)	(28,128)
Sale of non current assets	36 281,423	-
Sale of subsidiary	29 72,776	(14,060)
Tax (paid) received in the period	3,810	-
Sale of investment in marketable securities	-	23,067
Lease origination expenses	(1,467)	(990)
Loans granted	(29,843)	(2,912)
Loans repayments	3,840	850
Increase in short term deposits	(6,586)	(4,646)
Decrease in short term deposits	10,486	100
Dividend received	-	122
<b>Net cash used in investing activities</b>	<b>159,360</b>	<b>(163,157)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of shares	149,737	129
Proceeds from long-term borrowings	135,050	175,813
Repayment of long-term borrowings	(147,135)	(63,108)
Proceeds from short term loan	3,706	-
Shares origination cost	(1,849)	-
Loans origination cost	(1,866)	(749)
Deposits received from tenants	(811)	723
<b>Net cash from financing activities</b>	<b>136,832</b>	<b>112,808</b>
<b>Effect of foreign currency translation</b>	<b>16,239</b>	<b>(7,763)</b>
<b>Net increase in cash and cash equivalents</b>	<b>292,260</b>	<b>(42,525)</b>
<b>Cash and cash equivalents, at the beginning of the year</b>	<b>73,204</b>	<b>115,729</b>
<b>Cash and cash equivalents, at the end of the period</b>	<b>365,464</b>	<b>73,204</b>

The accompanying notes are an integral part of this Consolidated Cash Flow Statement

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2006**  
**(in thousand of US Dollars)**

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**1. Principal activities**

Globe Trade Centre S.A. (the “Company”, “GTC”) was registered in Warsaw on Domaniewska 41, 1996, having previously operated under the name of Globe Trade Centre Sp. z o.o. The Company’s registered office is in Warsaw at Wołoska 5 Street. The Company owns through subsidiaries, joint ventures and associates commercial and residential real estate companies in Poland, Hungary, Romania, Serbia, Croatia, Ukraine, Slovakia, Bulgaria and Czech Republic. The Company is developing, and leasing or selling space to commercial and individual tenants, through its directly and indirectly owned subsidiaries.

Globe Trade Centre S.A. is the parent company of the capital group Globe Trade Centre (the “Group”).

The Group’s business activities are:

- a) Development and rental of office and retail space,
- b) Development and sale of residential units.

As of 31 December 2006 and 2005 the number of full time equivalent working in the Group companies was 101 and 77 respectively.

GTC is listed on the Warsaw Stock exchange.

The parent shareholder of the Company is GTC Real Estate N.V (“GTC Real Estate”) of the Netherlands that holds 46.4% of the Company’s shares (see note 25). On 27 April 2006, GTC International B.V (“GTC International”), the previous parent entity, has been merged into its parent company and ceased to exist. The ultimate parent of the Company is Kardan N.V of the Netherlands.

**2. Functional and reporting currencies**

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish accounting regulations. The accompanying consolidated financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board, and the International Financial Reporting Interpretations Committee (“IFRIC”).

The currency of Polish economy is the Polish Zloty. The Company has elected US Dollar as its functional currency in the financial statements, since the Company believes that it reflects in a more appropriate manner the Company events and transactions in the financial statements.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2006**  
**(in thousand of US Dollars)**

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**2. Functional and reporting currencies (continued)**

The functional currency of some of GTC's subsidiaries is a currency other than USD. The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by translation into USD using the closing rate method outlined in IAS 21. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the year. All resulting exchange differences are classified in equity as "Translation difference" without affecting earnings for the period.

On 1 January 2007, the Company changed the functional currency in the financial statements from USD to Euro. The Company believes that after the sale of Mokotow Business Park most of group activity is based on Euro, and therefore the Euro reflects in a more appropriate manner the Group's events and transactions.

**3. Basis of presentation and changes in accounting policies**

The accompanying consolidated balance sheet, consolidated income statements, consolidated statement of cash flows and consolidated statement of changes in equity reflect all adjustments which are necessary for a fair statement of the Group's consolidated results of operations and cash flow for the year ended 31 December 2006 and the Group's financial position as of 31 December 2006.

The consolidated financial statements have been prepared in thousand USD.

The Company applied to this consolidated financial statements for the year ended 31 December 2006 all International Financial Reporting Standards (IFRS) effective for accounting periods beginning on 1 January 2006, and the standards that came into effect prior to 31 December 2006.

Effective 1 January 2005, the change in the Polish Accounting Act requires the Group to prepare its consolidated financial statement in accordance with International Financial Reporting Standard as adopted by the European Union. At this particular time, due to the endorsement process of the EU, and activities of the Group, there are no differences in the policies applied by the Company between IFRS and IFRS that have been endorsed by the Commission of the European Communities.



**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2006**  
**(in thousand of US Dollars)**

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**3. Basis of presentation and changes in accounting policies (continued)**

The consolidated financial statements have been prepared in accordance with IFRS and all applicable IFRS that have been adopted by EU.

The Company followed the same accounting policies (except as described below) and methods of computation in these consolidated financial statements as compared with the consolidated financial statements for the year 2005.

With the effect from 1 January 2006 International Financial Reporting Standards have been revised. There are the following new or revised standards and interpretations:

- IAS 1 - "Presentation of Financial Statements"
- IAS 19 - "Employee Benefits"
- IAS 39 - "Financial Instruments: Recognition and Measurement"
- IFRS 4 - "Insurance Contracts"
- IFRS 1 - "First-time Adoption of International Financial Reporting Standards"
- IFRS 6 - "Exploration for and Evaluation of Mineral Assets"
- IFRIC 4 - "Determining Whether an Arrangement Contains a Lease"
- IFRIC 5 - "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- IFRIC 6 - "Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment"

There are other changes in International Financial Reporting Standards, which should be applied in the annual period commencing on or after 1 January 2007, but earlier application are encouraged:

- IFRIC 7 - "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
- IFRIC 8 - "Scope of IFRS 2"
- IFRIC 9 - "Reassessment of Embedded Derivatives"
- IFRIC 10 - "Interim Financial Reporting and Impairment"
- IFRIC 11 - "Group and Treasury Share Transactions"
- IFRIC 12 - "Service Concession Arrangements"

The amendments have been analysed by the Company. The changes in the standards have no impact on the financial data presented in these financial statements, except for changes resulting from applications of revised IAS 1 related to presentation of the statement of changes in equity. The standards, which come into force after 2007, will not impact on the financial data presented in these financial statements, except for IFRS 8. As the result of implementation of IFRS 7 in the year beginning 1 January 2007 the disclosures on financial instruments as well as risk policies of the Company may change.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2006**  
**(in thousand of US Dollars)**

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**4. Accounting Policies**

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments, and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged (cash flow hedge) are adjusted to record changes in the fair values attributable to the risks that are being hedged.

(b) Property, Plant and Equipment

In accordance with IAS 40 property is divided into two categories: investment property and owner-occupied property. Investment properties are described in note 4(c). This note presents the policy of the Group in relation to owner-occupied property.

Property, plant and equipment consist of vehicles, buildings, land improvement, equipment and construction in progress. Property, plant and equipment, which have been completed (as described further below) are recorded at historical cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset.

The following depreciation rates have been applied:

	<b>Depreciation rates</b>
Equipment	7 -20 %
Buildings	2.5 %
Land improvement	20 %
Vehicles	20 %

Assets in the course of construction are shown at cost. The direct costs paid to subcontractors for the improvement of the property are capitalised into construction in progress. Capitalised costs also include borrowing costs, planning and design costs, construction overheads and other related costs. Construction in progress is not depreciated.

Reassessment of the useful life and impairment is done annually.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
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**(in thousand of US Dollars)**

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**4. Accounting Policies (continued)**

(c) Investment property

Investment property is a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation.

The investment properties of the Group are presented based on the fair value model. The fair values are determined based on qualified independent appraisers valuation based on discounted projected cash flows from the investment properties. Any change in fair value is presented in the income statement.

(d) Investment in marketable securities

Investment in shares classified as available-for-sale and is carried at fair value. The fair value is estimated based on the value of shares on the Warsaw Stock Exchange at the balance sheet date. The gain or loss arising from the change in fair value is included in equity as "Net unrealised provision on investment in marketable securities" for the year in which it arises, until the asset is derecognised.

(e) Investment in associates

Investment in associates is accounted for under the equity method. The investment is carried in the balance sheet at cost plus post acquisition changes in the Group share of net assets of the associate.

(f) Investment in jointly controlled entities

The interest in a jointly controlled entity is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint ventures assets, liabilities, income and expenses with similar items in the consolidated financial statement on a line-by-line basis.

(g) Put option granted to minority

Put option granted to minority is recognised as financial liability.

GTC recognized a financial liability under the above contract at its fair value. The minority interest reported in the financial statements was reclassified to a financial liability and the difference between the fair value of that liability and the minority interest as of 1 May 2006, was charged against retained earnings.

Any subsequent re-measurement of financial liability will be accounted for through the profit and loss account.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
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(h) Lease origination costs

The costs incurred to originate a lease (mainly brokers fees) for available rental space are deferred until the date of revaluation of the related investment property to its fair value.

(i) Inventory

Inventory is stated at the lower of cost and net realisable value. Costs relating to the construction of a project are included in inventory as follows:

- i. costs incurred relating to phases of the project not available for sale; and
- ii. costs incurred relating to units unsold associated with a phase of the project that is available for sale.

Such costs include:

- i. leasehold rights for land or land, construction costs paid to subcontractors for the construction of housing units; and
- ii. capitalised costs, which include borrowing costs, planning and design costs, construction overheads and other related costs.

(j) Advances received

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as income as described below in note 4(m).

(k) Rental revenue

Rental revenues result from operating leases and are recognised as income over the lease term.

(l) Interest and dividend income

Interest income is recognised on an accrual basis.

Dividend income is recognised when the shareholders' right to receive payments is established.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
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**(in thousand of US Dollars)**

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**4. Accounting Policies (continued)**

(m) Contract revenue and costs recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues comprise amounts received or receivable, net of Value Addend Tax and discounts. Revenue from the sale of houses and apartments is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and when the revenue can be measured reliably. The risks and rewards are considered as transferred to the buyer when the houses or apartments have been substantially constructed, accepted by the customer and the full amount resulting from the sale agreement was paid by the buyer.

The costs related to the real estate development incurred during the construction period are capitalized in inventory. Once revenue is recognised, the costs in respect of sold units are expensed.

(n) Borrowing costs

Borrowing costs are accrued and expensed in the period in which they are incurred except to the extent they are directly attributable to construction. In such a case, borrowing costs are capitalised as part of the cost of the asset.

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2006**  
**(in thousand of US Dollars)**

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**4. Accounting Policies (continued)**

(o) Share issuance expenses

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

(p) Income taxes

The current provision for corporate income tax for the Group companies is calculated in accordance with tax regulations ruling in particular country of operations and is based on the profit or loss reported under relevant tax regulations.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

At each balance sheet date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The companies conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

(q) Foreign exchange differences

Transactions denominated in a foreign currency (including Polish Zloty) are recorded in US Dollars at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement.

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2006**  
**(in thousand of US Dollars)**

**4. Accounting Policies (continued)**

(r) Financial instruments

All financial assets and financial liabilities are recognised on the balance sheet date. All these financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given or received to acquire the financial asset or liability. All purchases of financial assets (whose delivery time is regulated in the market) are accounted at trade date.

The table below presents the measurement categorisation of financial assets and liabilities:

<b>Category</b>	<b>Balance sheet item</b>	<b>Measurement</b>
<u>Financial assets/liabilities (excluding derivatives)</u>		
Held for trading	Cash and cash equivalent	Fair value- adjusted to income statements
Held to maturity	Short-term deposits	Amortised costs
Loans and receivables originated by the enterprise	Trade and other debtors	Amortised costs
Other financial liabilities	Trade and other payables	Amortised costs
	Loans	Amortised costs
	Credit line	Amortised costs
	Long term payables	Amortised costs
Financial liability	Put option granted to minority	Fair value (see note 4 (g))
<u>Derivatives</u>		
Held for trading	Interest Rate Swap	Fair value- adjusted to income statements
Hedging	Interest Rate Swaps	Fair value- adjusted to equity
Held for trading	Interest Rate collars	Fair value- adjusted to income statements

**Globe Trade Centre S.A.**  
**Notes to the Consolidated Financial Statements**  
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**(in thousand of US Dollars)**

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**4. Accounting Policies (continued)**

The Group recognises a financial asset and financial liability in its balance sheet, when and only when, it becomes a party to the contractual provisions of the instrument. The derecognition takes place when the Company no longer controls the contractual rights that comprise the financial instrument. The carrying value of long term loans bearing variable rate approximates their fair value as the rate is linked to the market.

(s) Cash and cash equivalents

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

(t) Trade and other receivables

Short term trade receivables are carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts allowance is made when collections of the full amount is no longer probable, based on historical collection patterns or alternatively having regard to the age of the receivable balances. Long term trade receivables are presented at amortised cost.

(u) Impairment of assets

The carrying value of assets is periodically reviewed by the Management to determine whether impairment may exist. Based upon its most recent analysis management believes that any material impairment of assets that existed at the balance sheet date, was reflected in these financial statements.

Accounting policy related to Goodwill impairment is described in note 4(ad).



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**4. Accounting Policies (continued)**

(w) Purchase of shares of minority

If the Company increases/decreases its share in the net assets of its controlled subsidiaries, the appropriate share of the net assets is transferred from the minority interest to the proper component of the equity attributable to equity holders of the parent.

If the Company increases/decreases its share in the net assets of its controlled subsidiaries, the excess of the cost over the acquirer's interest in the net asset is recognised as goodwill. Impairment of goodwill is tested annually.

(x) Derivatives

The Group uses interest rate swaps and collars to hedge its risks associated with interest rate volatility (cash flow hedges).

In relation to the instruments, which meet the conditions of cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly to net profit and loss of the year.

(y) Estimations

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at balance date. The actual results may differ from these estimates.

(z) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations described in the not 4 (y) above, which have the most significant effect on the amounts recognized in the financial statements:

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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**4. Accounting Policies (continued)**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit.

Investment property represents property held for long-term rental yields. Investment property is carried at fair value which is established annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by Management judgment. Changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

(aa) Basis of Consolidation

The consolidated financial statements comprise the financial statements of GTC S.A and its subsidiaries prepared using consistent accounting policies.

Control is presumed to exist when the Company owns, directly or indirectly through its subsidiaries, more than half of the voting rights of a given entity, unless it can be clearly demonstrated that such ownership does not constitute control. Control is also exercised where the Group has power to govern the financial and operating policies of an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All inter-company balances and transactions are eliminated upon consolidation.

(ab) Provisions

Provisions are recognised when the Company has present obligation, (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

(ac) Share-based payment transactions

Amongst others, the Company gives shares or rights to shares to key management personnel in exchanges for services. The cost of equity-settled transactions with employees is measured by reference to the share value at the date at which they were granted.

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**4. Accounting policies (continued)**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired.

(ad) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of assets acquired over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is not amortized.

For the purpose of impairment testing goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment write-down is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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**5. Investment in Subsidiaries, Associates and Joint Ventures**

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly controlled entities listed below together with direct and indirect ownership of these consolidated subsidiaries as at the end of each period:

Name	Holding Company	Country of incorporation	31 December 2006 **	31 December 2005 **
GTC Mars Sp. z o.o. („GTC Mars”)	GTC S.A	Poland	100%	100%
GTC Taurus Sp. z o.o. („GTC Taurus”)	GTC S.A	Poland	100%	100%
GTC CH Galeria Sp. z o.o. („GTC CH Galeria”) (***)	GTC S.A	Poland	-	100%
Darat Sp. z o.o. („Darat”) (in liquidation)	GTC S.A	Poland	100%	100%
GTC Konstancja Sp. z o.o. („GTC Konstancja”)	GTC S.A	Poland	100%	100%
GTC Korona S.A („GTC Korona”)	GTC S.A	Poland	100%	100%
Globis Poznań Sp. z o.o („Globis Poznan”)	GTC S.A	Poland	100%	100%
GTC Vega Sp. z o.o. („GTC Vega”)	GTC S.A	Poland	100%	100%
GTC Aeropark Sp. z o.o. („GTC Aeropark”)	GTC S.A	Poland	100%	100%
GTC Topaz Office Sp. z o.o. („GTC Topaz Office ”) (formerly „GTC Neptune”)	GTC S.A	Poland	100%	100%
Globis Wroclaw Sp. z o.o („Globis Wroclaw”)	GTC S.A	Poland	100%	100%
GTC Galeria Kazimierz Sp. z o.o („GTC Galeria Kazimierz”) (*)	GTC S.A	Poland	50%	100%
GTC Nefryt Sp. z o.o. („formerly GTC Orion”)	GTC S.A	Poland	100%	100%
GTC Satellite Sp. z o.o. („GTC Satellite”) (formerly “GTC Saturn”)	GTC S.A	Poland	100%	100%
GTC Sonata Sp. z o.o. („GTC Sonata ”)	GTC S.A	Poland	100%	100%
GTC Galeria office Sp. z o.o. („previously GTC Kazimierz hotel”)	GTC S.A	Poland	100%	100%
Rodamco CH1 Sp. z o.o. („Rodamco CH1”)*	GTC S.A	Poland	50%	50%
GTC Com 1 Sp. z o.o. („GTC Com 1”)	GTC S.A	Poland	100%	100%
GTC Wroclaw office Sp. z o.o. („previously GTC Kazimierz office” )	GTC S.A	Poland	100%	100%
GTC Birant Sp. z o.o. („GTC Birant”)				
GTC Diego Sp. z o.o. („GTC Diego”)				
GTC Cyril Sp. z o.o. (GTC Cyril)	GTC S.A	Poland	100%	-
GTC Com 3 Sp. z o.o. („GTC Com 3”)	GTC S.A	Poland	100%	-
GTC Com 4 Sp. z o.o. („GTC Com 4”)	GTC S.A	Poland	100%	-
GTC Com 5 Sp. z o.o. („GTC Com 5”)	GTC S.A	Poland	100%	-
GTC Galeria CTWA Sp. z o.o. („Galeria CTWA ”) (formerly „GTC Galaxy-Jupiter”)	GTC S.A	Poland	100%	100%

\* Proportionate consolidation.

\*\* Share of GTC.

\*\*\*The company was merged with GTC and ceased to exist.

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**5. Investment in Subsidiaries, Associates and Joint Ventures**

Name	Holding Company	Country of incorporation	31 December 2006 **	31 December 2005 **
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A	Hungary	100%	97.50%
Vaci Ut 81-85 Ltd.	GTC Hungary	Hungary	100%	97.50%
Riverside Apartments Ltd. ("Riverside")	GTC Hungary	Hungary	100%	97.50%
Centre Point I. Ltd. ("Centre Point I")	GTC Hungary	Hungary	100%	97.50%
Centre Point II. Ltd. ("Centre Point II")	GTC Hungary	Hungary	100%	97.50%
River Loft Ltd.	GTC Hungary	Hungary	100%	97.50%
Spiral Holding Ltd..	GTC Hungary	Hungary	100%	97.50%
Spiral I.Ltd.	GTC Hungary	Hungary	100%	97.50%
Spiral II. Ltd.	GTC Hungary	Hungary	100%	97.50%
Spiral III. Ltd.	GTC Hungary	Hungary	100%	97.50%
SASAD Resort Ltd.	GTC Hungary	Hungary	50.1%	-
Albertfalva Ltd.	GTC Hungary	Hungary	100%	-
Jasmin Ingtatlanok Ltd.	GTC Hungary	Hungary	100%	-
Szép-Madárhegy Ltd.	GTC Hungary	Hungary	100%	-
GTC Real Estate Investments Ukraine BV („GTC Ukraine”)	GTC S.A	Netherlands	100%	-
GTC Real Estate Management Services Ukraine LLC	GTC Ukraine	Ukraine	90.5%	-
GTC Real Estate Investments Moldova BV („GTC Moldova”)	GTC S.A	Netherlands	100%	-
GTC Real Estate Investments Slovakia BV („GTC Slovakia”)	GTC S.A	Netherlands	100%	-
GTC Real Estate Developments Bratislava B.V. ("GTC Bratislava")	GTC Slovakia	Netherlands	70%	-
GTC Real Estate Management SRO	GTC Slovakia	Slovakia	100%	-
GTC Real Estate Park SRO	GTC Bratislava	Slovakia	70%	-
GTC Real Estate Vinohrady s.r.o ("GTC Vinohrady")	GTC Bratislava	Slovakia	70%	-
GTC Real Estate Investments Croatia BV („GTC Croatia”)	GTC S.A	Netherlands	100%	97.20%
Euro Structor Doo.	GTC Croatia	Croatia	70%	68.00%
GTC Nekretnine Zagreb Doo.("GTC Zagreb")	GTC Croatia	Croatia	100%	97.20%

\* Proportionate consolidation.

\*\* Share of GTC.

\*\*\*The company was merged with GTC and ceased to exist.

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**5. Investment in Subsidiaries, Associates and Joint Ventures**

Name	Holding Company	Country of incorporation	31 December 2006 **	31 December 2005 **
GTC Real Estate Investments Romania B.V. ("GTC Romania")	GTC S.A	Netherlands	100%	94.60%
Complexul Multifunctional Victoria S.R.L	Titulescu Investments B.V	Romania	100%	94.60%
Towers International Property S.R.L	GTC Romania	Romania	100%	94.60%
Galeria Shopping Center S.R.L (formerly "International Hotel and Tourism S.R.L")	GTC Romania	Romania	100%	94.60%
Green Dream S.R.L (formerly named International Shopping Centre S.R.L.)	GTC Romania	Romania	100%	94.60%
Aurora Business Complex S.R.L	GTC Romania	Romania	100%	94.60%
Yasmine Residential Complex S.R.L	GTC Romania	Romania	100%	94.60%
National Commercial Centers B.V	GTC Romania	Netherlands	50%	-
Mercury Commercial Centers S.R.L	GTC Romania	Romania	100%	-
Venus Commercial Centers S.R.L	GTC Romania	Romania	100%	-
Mars Commercial Centers S.R.L	GTC Romania	Romania	100%	-
Bucharest City Gate B.V	GTC Romania	Netherlands	58%	-
City Gate S.R.L	GTC Romania	Romania	100%	-
Brightpoint Investments Limited	GTC Romania	Romania	100%	-
Complexul Residential Colentina S.R.L	GTC Romania	Romania	100%	-
Titulescu Investments B.V ("Titulescu")	GTC Romania	Netherlands	100%	94.60%
GTC Real Estate Investments Serbia B.V. ("GTC Serbia")	GTC S.A	Netherlands	100%	97.50%
GTC Business Park Doo	GTC Serbia	Serbia	100%	97.50%
Atlas Center Doo	GTC Serbia	Serbia	100%	-
GTC International Development d.o.o.	GTC Serbia	Serbia	100%	97.50%
GTC Commercial Centres Doo	GTC Serbia	Serbia	100%	97.50%
GTC Real Estate Developments Doo	GTC Serbia	Serbia	100%	97.50%
GTC Commercial Development Doo	GTC Serbia	Serbia	100%	97.50%
GTC Real Estate Investments Bulgaria BV („GTC Bulgaria")	GTC S.A	Netherlands	100%	-
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC Bulgaria	Bulgaria	100%	-

(\*) Share of GTC

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**5. Investment in Subsidiaries, Associates and Joint Ventures**

**Investment in Associates**

The Company has a 35% interest in the following associates:

Lighthouse Holdings Limited S.A. (“Lighthouse”)  
Vokovice BCP Holding S.A. (“Vokovice”)  
Holesovice Residential Holdings S.A. (“Holesovice”)  
CID Holdings Limited S.A. (“CID”)

The above associates hold 87.5% to 95.5% in companies which are involved in real estate development in Czech Republic (see note 17).

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**6. Projects description**

The Company is developing, and leasing or selling space to commercial and individual tenants, through its direct and indirect investments in subsidiaries, joint ventures, and associates.

Current projects in different stages of development are described in the tables below:

Completed projects

<b>Country</b>	<b>Property</b>	<b>Total rentable/saleable space (sq.m)</b>	<b>Details</b>
Poland	Galeria Kazimierz (100% of area) (**)	36,200	Shopping centre in Krakow
	Galeria Mokotow (100% of area) (**)	62,100	Shopping centre in Warsaw
	Galileo	10,300	Office building in Krakow
	Globis Poznan	13,000	Office building in Poznan
	Topaz office building	11,000	Office building in Warsaw
	Konstancja Residential phase 2	16,000	Residential project in Konstancin
Hungary	Centre Point I	18,600	Office building in Budapest
	Centre Point II	23,000	Office building in Budapest
Romania	America House	26,000	Office building in Bucharest
Serbia	GTC House	13,500	Office building in Belgrad
Czech (*)	Lighthouse Towers	27,140	Office building in Prague

(\*) Project located in Czech Republic are operated through associates

(\*\*) Operated through joint venture



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**6. Projects description (continued)**

Projects under construction / to be constructed

Country	Property	Estimated Net Rentable/Saleable space (sq.m)	Details
Poland	Globis Wroclaw	14,700	Office building in Wroclaw
	Newton	10,400	Office building in Krakow
	Nefyt	15,300	Office building in Warsaw
	Edison	10,000	Office buildings in Krakow
	Pascal	7,000	Office buildings in Krakow
	Karkonoska	30,000	Office buildings in Wroclaw
	Mikolowska	44,000	Office buildings in Katowice
	Okęcie (6 buildings)	48,700	Commercial project in Warsaw
	Francuska	10,500	Office buildings in Katowice
	Galeria Kazimierz office	17,000	Office buildings in Krakow
	Kosciuszki	27,000	2 Office buildings in Lodz
	Platinum Business Park	44,500	Office buildings in Warsaw
	Galeria Czestochowa	49,800	Shopping center in Czestochowa
	Konstancja commercial	42,000	Project in Konstancin
	Konstancja Residential phase 3	8,400	Residential project in Konstancin
	Galileo Gardens	28,000	Residential projects in Krakow
	Konstancja Residential other phases	31,000	Residential project in Konstancin
	Park apartments	14,000	Residential project in Poznan
Hungary	Tutto Mobili	27,000	Office buildings in Budapest
	Spiral	54,800	Office buildings in Budapest
	Gateway (2)	69,600	Office project in Budapest
	Metro	11,900	Office building in Budapest
	Riverloft-office	6,500	Project in Budapest
	Sasad resort	87,300	Residential project in Budapest
	Riverloft residential	13,500	Project in Budapest
Czech (1)	Arena mall&office	138,000	Shopping and office centre in Prague
	Green City (Jarov)	86,000	Residential project in Prague
	Prague Marine (Holesowice), phase 1	30,000	Residential project in Prague
	Prague Marine (Holesowice), other phases	125,000	Residential/commercial project in Prague
	Smichow/Lieben	30,000	Residential/retail project in Prague
	Sarka BP	44,000	Vokovice (existing logistic center to be converted into residential project)

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**6. Projects description (continued)**

Projects under construction / to be constructed

Country	Property	Estimated Net Rentable/Saleable space (sq.m)	Details
Romania	Aura Arad	25,500	Shopping centre in Romania
	Galleria Bucharest	57,000	Shopping centre in Bucharest
	Mid-size Retail Centers (**)	36,400	Shopping centres in Romania
	Aurora Business Park	28,900	Office project in Bucharest
	City Gate	44,000	Office project in Bucharest
	Jasmin park	30,000	Residential project in Bucharest
	Rose Garden	80,000	Residential project in Bucharest
	Felicity	129,000	Residential project in Bucharest
Slovakia	Green Dream	24,800	Residential project in Bucharest
	Vinohrady Bratislava	57,400	Residential project in Bratislava
	Park	15,100	Residential project in Bratislava
Bulgaria	Varna	37,200	Shopping centre in Varna
	Sofia (2)	8,500	Office project in Bulgaria
Serbia	19 Avenue	16,700	Office project in Belgrade
	Park Apartments	13,100	Residential project in Belgrade
	GTC Square	22,600	2 Office buildings in Belgrade
Croatia	Avenue Mall	32,800	Shopping and office centre in Zagreb
	Istria Golf Estate & resort	15,000	Hotel by the seaside of Croatia
	Istria Golf Estate & resort	20,000	Residential by the seaside of Croatia

- (1) Project located in Czech Republic are operated through associates  
(2) Plots were not yet purchased, preliminary agreement or memorandum of Understanding has been signed

(\*\*) Operated through joint venture

There is no seasonality in the business of the Group companies.

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**7. Events in the period**

In February 2006, Topaz office building in Warsaw was successfully completed.

On 24 March 2006, GTC completed a successful issuance of 17.12 million new shares at a price of PLN 28.5 (USD 8.74) per share (see note 25).

In March 2006, America House office building in Bucharest was successfully completed.

On 1 May 2006 the Company entered into an agreement with the chairman of the supervisory board and AYRAD, a company controlled by him regarding matters further disclosed in notes 32-33.

In March 2006, GTC purchased, for its nominal value being the fair value, 95% stake in GTC Slovakia. Remaining 5% are held by AYRAD (see notes 32-33).

In April 2006, GTC purchased, for its nominal value being the fair value, 95% stake in GTC Bulgaria. Remaining 5% are held by AYRAD (see notes 32-33).

In April 2006, GTC established its new subsidiary GTC Ukraine, in which it holds 95%. Remaining 5% are held by AYRAD (see notes 32-33).

In April 2006, Centre Point II office building in Budapest was successfully completed.

On 21 December 2005, GTC and Fellstone Limited signed a conditional Preliminary Share Purchase Agreement for the sale of 50% stake in the company that holds Galeria Kazimierz shopping centre. On 28 April 2006 the share purchase agreement of 50% of the registered capital of GTC Galeria Kazimierz was concluded between GTC and Fellstone Limited. As of 31 December 2006, the Company proportionally consolidated assets and liabilities of GTC Galeria Kazimierz (see notes 16 and note 31).

On 26 June 2006 the chairman of the supervisory board exercised 1,179,170 Subscription Warrants at a price of PLN 0.1 together with 83,960 Subscription Warrants at a price of PLN 4.282; as a result, the remaining 224,820 Subscription Warrants expired and will not be exercised (see note 25).

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**7. Events in the period (continued)**

On 19 July 2006 the court approved a split of the Company's shares. As result of the split each holder of the company's share with a nominal value of PLN 1 holds to 10 shares with a nominal value of PLN 0.1 each. The split took effect on 9 August 2006 (see note 25).

Following a preliminary sale agreement of Mokotow Business Park in Warsaw dated 11 October 2006 with Heitman European Property Partners III Fund, a final sale agreement was signed on 1 December 2006 (see note 16, 36). The loans related to the project were fully repaid (see note 24)

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**8. Revenue from operations**

Revenue from operations comprises the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Rental revenue	81,607	70,417
Residential revenue	19,909	25,222
	101,516	95,639

The Company has entered into various operational lease contracts with tenants related to properties in Poland, Romania, Croatia, Serbia, and Hungary. The aggregate amount of contracted future rental income as of 31 December 2006 amounts to approximately USD 536 and (USD 332 million as of 31 December 2005), of which approximately 16% and (18%) is due within one year and 42% and (30%) is due after five years.

The majority of revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to or indexed by reference to the US Dollar or Euro.

**9. Cost of operations**

Costs of operations comprise the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Rental costs	23,765	19,404
Residential costs	16,518	19,177
	40,283	38,581

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**10. Selling expenses**

Selling expenses comprise the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Brokerage and similar fees	804	331
Advertising	2,329	2,734
Payroll and related expenses	547	387
	3,680	3,452

**11. Administration expenses**

Administration expenses comprise the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Payroll and related expenses	4,903	2,604
Share based payments	4,119	1,891
Management fees, office and other expenses	6,770	2,256
Audit, legal and other advisers	2,097	1,671
Shopping centre management fee	441	387
Depreciation and amortisation	323	204
	18,653	9,013

**12. Other financial expenses, net**

Other financial income /(expense), net, comprise the following:

	Year ended 31 December 2006	Year ended 31 December 2005
Interest and other expenses	(22,641)	(22,227)
Other financial income/(expense)		
- amortisation of deferred financial costs	(771)	(977)
- change in fair value of financial instruments	2,752	(246)
- dividend received	-	231
	(20,660)	(23,219)

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**13. Segmental analysis**

The Group's business activities, which are the primary segments, can be categorised into two main segments:

1. Development and rental of office space and shopping malls ("office and commercial") and
2. Development and sale of houses and apartment units ("residential").

All the Group's activities and assets are located in Poland, Hungary, Romania, Serbia, Croatia, Bulgaria, Ukraine and Slovakia.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, and taxes currently payable and accrued liabilities.

Segment analysis for the year ended 31 December 2006 and 31 December 2005 is presented below:

	Poland		Hungary		Romania		Serbia		Croatia		Consolidated	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Office and commercial income	64,319	64,781	7,249	4,087	6,027	-	4,012	1,265	-	284	81,607	70,417
Residential income	2,820	21,038	17,089	4,184	-	-	-	-	-	-	19,909	25,222
<b>Total income</b>	<b>67,139</b>	<b>85,819</b>	<b>24,338</b>	<b>8,271</b>	<b>6,027</b>	<b>-</b>	<b>4,012</b>	<b>1,265</b>	<b>-</b>	<b>284</b>	<b>101,516</b>	<b>95,639</b>
Office and commercial costs	19,046	18,123	1,786	1,036	2,076	-	857	245	-	-	23,765	19,404
Residential costs	2,151	14,999	14,367	4,178	-	-	-	-	-	-	16,518	19,177
<b>Total costs</b>	<b>21,197</b>	<b>33,122</b>	<b>16,153</b>	<b>5,214</b>	<b>2,076</b>	<b>-</b>	<b>857</b>	<b>245</b>	<b>-</b>	<b>-</b>	<b>40,283</b>	<b>38,581</b>
Office and commercial result	45,273	46,658	5,463	3,051	3,951	-	3,155	1,020	-	284	57,842	51,013
Residential result	669	6,039	2,722	6	-	-	-	-	-	-	3,391	6,045
<b>Total result</b>	<b>45,942</b>	<b>52,697</b>	<b>8,185</b>	<b>3,057</b>	<b>3,951</b>	<b>-</b>	<b>3,155</b>	<b>1,020</b>	<b>-</b>	<b>284</b>	<b>61,233</b>	<b>57,058</b>
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	(19,213)	(12,176)
Revaluation of investment property	123,696	136,618	46,146	4,171	80,158	-	5,604	10,112	-	-	255,604	150,901
Profit from continuing operations before tax and financial related income/(expenses)	-	-	-	-	-	-	-	-	-	-	297,624	195,783
Foreign currency translation gain (loss), net	-	-	-	-	-	-	-	-	-	-	12,576	(2,459)
Profit from sell of marketable securities	-	-	-	-	-	-	-	-	-	-	-	4,091
Interest income	-	-	-	-	-	-	-	-	-	-	7,375	3,582
Other interest expense and similar charges, net	-	-	-	-	-	-	-	-	-	-	(20,660)	(23,219)
Profit on sale of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,672	-
Equity profit	-	-	-	-	-	-	-	-	-	-	5,560	533
Taxation	-	-	-	-	-	-	-	-	-	-	(50,737)	(34,248)
Profit for the year	-	-	-	-	-	-	-	-	-	-	253,410	144,063
Minority interest	-	-	-	-	-	-	-	-	-	-	3,484	3,918
Equity holders of the parent	-	-	-	-	-	-	-	-	-	-	249,926	140,145

The segment results in Bulgaria, Ukraine, and Slovakia in the reported periods were nil.

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**13. Segmental analysis (continued)**

Segment analysis as of 31 December 2006 and 31 December 2005 is presented below:

	Poland		Hungary		Romania		Serbia		Croatia		Other		Consolidated	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Segment assets														
Allocated assets rental	505,033	702,328	51,802	94,507	171,062	53,523	78,898	37,261	63,612	20,696	-		870,407	908,315
Allocated assets residential	35,218	16,126	183,542	14,918	55,769	382	23,468	9,644	2,843		18,979		319,819	41,070
Unallocated corporate assets	328,677	100,517	47,958	7,000	19,660		2,136	1,561	1,247		3,907		403,585	109,078
Consolidated total assets	868,928	818,971	283,302	116,425	246,491	53,905	104,502	48,466	67,702	20,696	22,886	-	1,593,811	1,058,463
Segment liabilities														
Allocated liabilities rental	55,546	24,875	18,269	3,351	16,687	32,345	11,403	10,316	14,439	8,716			116,344	79,603
Allocated liabilities residential	5,130	2,159	28,312	2,426	13,898		12,616	316	829	-	2,774		63,559	4,901
Unallocated corporate liabilities	201,605	338,505	124,592	76,343	54,806		32,676	12,712	35,757	-	2,117		451,553	427,560
Consolidated total liabilities	262,281	365,539	171,173	82,120	85,391	32,345	56,695	23,344	51,025	8,716	4,891	-	631,456	512,064
Capital expenditures	45,302	61,273	9,938	24,827	28,029	33,766	17,890	8,058	27,910	8,636	309		129,378	136,560
Depreciation of fixed asset	128	147	79	55	35	15	55	11	18	13	8		323	241
Non cash expenses other than depreciation	771	465											771	465



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**14. Taxation**

The major components of tax expense are as follows:

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	Year ended 31 December 2006	Year ended 31 December 2005
Current tax expense	24,952	5,632
Deferred tax (credit)/expense	25,785	28,616
	<hr/> 50,737	<hr/> 34,248

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The Group companies pay taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Netherlands, Ukraine, Bulgaria, Slovakia, and Croatia. The Group does not constitute a tax group under local legislation. Therefore every company in the Group is a separate taxpayer.

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**14. Taxation (continued)**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rates is presented below:

	Year ended 31 December 2006	Year ended 31 December 2005
Accounting profit before tax	304,147	178,318
Accounting profit at the applicable tax rate in each country of activity	56,187	32,682
Tax effect of expenses/(income) that are not deductible in determining taxable profit	1,025	1,321
Share of profit in associates	(1,056)	(101)
Tax effect of foreign currency differences	(6,361)	373
Change in tax rate	1,416	
Tax related to previous periods	-	-
Unrecognised deferred tax asset	(474)	(27)
Tax expense / (income)	50,737	34,248

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**14. Taxation (continued)**

The components of the deferred tax balance were calculated at a rate applicable when the Company expects to recover or settle the carrying amount of the asset or liability.

Deferred tax assets comprise the following:

	As of 1 January 2005	Credit / (charge) to equity	Credit / (charge) to income statement	As of 31 December 2005	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2006
Financial instruments	4,116	-	(1,943)	2,173	-	(1,412)	-	761
Deferred taxation on impairment of fixed asset	-	-	1,971	1,971	-	-	-	1,971
Tax loss carry forwards	2,822	-	150	2,972	-	656	-	3,628
Other	57	-	(57)	-	-	(597)	-	(597)
Deferred taxation on revaluation Basis differences in non-current assets	(203)	-	203	-	-	-	-	-
Depreciation	(951)	-	994	43	-	738	-	781
Basis differences in inventory	(180)	-	180	-	-	-	-	-
Other	(672)	-	(203)	(875)	-	1,417	-	542
	(1)	-	(69)	(70)	-	70	-	
<b>Total</b>	<b>4,988</b>	<b>-</b>	<b>1,226</b>	<b>6,214</b>	<b>-</b>	<b>872</b>	<b>-</b>	<b>7,086</b>
Valuation reserve	(2,656)	-	27	(2,629)	-	(474)	-	(3,103)
<b>Net deferred tax assets</b>	<b>2,332</b>	<b>-</b>	<b>1,253</b>	<b>3,585</b>	<b>-</b>	<b>398</b>	<b>-</b>	<b>3,983</b>

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**14. Taxation (continued)**

Deferred tax liability comprises the following:

	As of 1 January 2005	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2005	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2006
Deferred taxation on impairments of fixed asset	1,971	-	(1,971)	-	-	-	-	-	-
Tax loss carry forwards	2,841	-	(238)		2,603	-	(1,570)	-	1,033
Other	(674)	-	507		(167)	-	(199)	-	(366)
Financial instruments	7,026	(1,841)	(16,849)	175	(11,489)	(69)	11,442	(1,745)	(1,861)
Deferred taxation on revaluation Basis	(9,854)	-	(19,491)	709	(28,636)	-	(36,594)	(2,581)	(67,811)
differences in non-current assets	-	-	11,081	-	11,081	-	(9,596)	-	1,485
Depreciation Basis	(11,398)	-	(2,717)	-	(14,115)	-	10,309	-	(3,806)
differences in inventory		-	(191)	-	(191)	-	25	(28)	(194)
<b>Total</b>	<b>(10,088)</b>	<b>(1,841)</b>	<b>(29,869)</b>	<b>884</b>	<b>(40,914)</b>	<b>(69)</b>	<b>(26,183)</b>	<b>(4,354)</b>	<b>(71,520)</b>
Valuation reserve									
<b>Net deferred tax liability</b>	<b>(10,088)</b>	<b>(1,841)</b>	<b>(29,869)</b>	<b>884</b>	<b>(40,914)</b>	<b>(69)</b>	<b>(26,183)</b>	<b>(4,354)</b>	<b>(71,520)</b>

**Globe Trade Centre S.A.**  
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**14. Taxation (continued)**

The enacted tax rates in the various countries were as follows:

Tax rate	Year ended 31 December 2006	Year ended 31 December 2005
Poland	19%	19%
Hungary	16%	16%
Ukraine	25%	n/a
Bulgaria	15%	n/a
Slovakia	19%	n/a
Serbia	10%	10%
Croatia	20%	20%
Romania	16%	16%
Netherlands	29.6%	35%

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**14. Taxation (continued)**

Taking into consideration the structure of the Group, the tax base of some investment properties is higher than its original historic costs. Accordingly no deferred tax liability is required on the difference between the tax base and historic costs of those assets.

Future benefit for deferred tax assets have been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

The Group has contributed organised parts of its business, which comprise of certain office buildings, a shopping centre and associated assets and liabilities into certain subsidiaries. In accordance with local regulations, the contributed buildings were revalued as of the date of contribution. The revalued amounts now form the tax base for these assets in the subsidiaries.

If the Company sells all of the shares in those subsidiaries, the cost that will be deductible for tax purposes will be the net historical cost of the contributed items prior to the revaluation and in such a case the tax liability that would arise at that date is estimated at \$ 42.5 million. The Company has no present intention to sell the shares of those subsidiaries, and therefore did not recognise the related liability.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in the Group's countries than in countries that have a more established taxation system.

Tax settlements may be subject to inspections by tax authorities. Accordingly the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

The Group companies have losses carried forward as of 31 December 2006 available in the amount of USD 14,185 thousand. Tax losses can be utilized up to maximum 9 years.

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**15. Property, Plant and Equipment**

The movement in property, plant and equipment for the periods ended 31 December 2006 and 31 December 2005 was as follows:

	Buildings	Land improvement	Equipment	Vehicles	Construction in Progress (*)	Total
<b>Cost</b>						
As at 1 January 2005	261	49	3,701	470	178,187	182,668
Acquisition of subsidiaries	-	-	311	180	125,751	126,242
Disposals	-	(49)	-	(72)	-	(121)
Transfers to other assets	(261)	-	-	-	(135,043)	(135,304)
Translation differences	-	-	-	-	(19,558)	(19,558)
As at 31 December 2005	-	-	4,012	578	149,337	153,927
<b>Accumulated Depreciation</b>						
As at 1 January 2005	12	7	3,283	228	-	3,530
Transfers to other assets	(14)	-	-	-	-	(14)
Disposals	-	(7)	-	(72)	-	(79)
Charge for the year	2	-	164	75	-	241
As at 31 December 2005	-	-	3,447	231	-	3,678
<b>Net book value as at 31 December 2005</b>	<b>-</b>	<b>-</b>	<b>565</b>	<b>347</b>	<b>149,337</b>	<b>150,249</b>
<b>Cost</b>						
As at 1 January 2006	-	-	4,012	578	149,337	153,927
Acquisition of subsidiaries	-	-	-	-	23,181	23,181
Additions, net	-	-	419	542	145,300	146,261
Disposals and other decreases	-	-	(3,032)	(108)	(2,190)	(5,330)
Transfers to investment property	-	-	-	-	(98,125)	(98,125)
Foreign exchange differences	-	-	33	27	5,267	5,327
As at 31 December 2006	-	-	1,432	1,039	222,770	225,241
<b>Accumulated Depreciation</b>						
As at 1 January 2006	-	-	3,447	231	-	3,678
Charge for the period	-	-	171	152	-	323
Transfers to other assets	-	-	-	-	-	-
Disposals	-	-	(2,834)	(108)	-	(2,942)
Foreign exchange differences	-	-	40	32	-	72
As at 31 December 2006	-	-	824	307	-	1,131
<b>Net book value as at 31 December 2006</b>	<b>-</b>	<b>-</b>	<b>608</b>	<b>732</b>	<b>222,770</b>	<b>224,110</b>

(\*) As of 31 December 2006 and 31 December 2005, construction in progress includes amounts of USD 134,491 thousand (USD 70,065 thousand in freehold remaining in leases) and USD 53,770 (USD 22,391 thousand in freehold remaining in leases) thousand representing land in projects in various development stages.

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**15. Property, Plant and Equipment (continued)**

Borrowing costs capitalised during the course of construction include mainly interest on funds borrowed to finance construction as indicated below:

Year 2005	4,166
Year 2006	3,856

**16. Investment Property**

The investment properties that are owned by the Group are office and commercial space. The movement in investment property for the periods ended 31 December 2006 and 31 December 2005 was as follows:

<b>Fair value as of 1 January 2005</b>	<b>442,951</b>
Additions , including:	
- Acquisition of subsidiaries	
- Capitalised subsequent expenditure	139,304
- Goodwill	3,061
- Other expenses	282
- Brokers fees and other incentives	5,679
Adjustment to fair value	150,901
Disposals	(39,617)
Translation differences	(19,633)
<b>Fair value as of 31 December 2005</b>	<b>682,928</b>
Additions , including:	
- Capitalised subsequent expenditure	101,349
- Goodwill	4,963
- Purchase of subsidiaries	2,506
- Brokers fees and other incentives	5,356
Adjustment to fair value	255,604
Disposals (*)	(372,136)
Translation differences	32,558
<b>Fair value as of 31 December 2006</b>	<b>713,128</b>

(\*) Disposal relates to sale of Mokotow Business Park, and 50% of Galeria Kazimierz (see notes 7, 29, 36)

The investment properties of the Group are presented based on the fair value model. The fair values are determined based on qualified independent appraisers valuation. Valuation is prepared initially at completion and after that on annual basis.

The following assets were completed in 2006:

In February 2006 - Topaz office building in Warsaw.

In March 2006 - America House office building in Bucharest.

In April 2006 - Centre Point II office building in Budapest.



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There were no investment properties that did not generate rental income during the year.

**17. Investment in associates**

The investment in associates comprises the following:

	31 December 2006	31 December 2005
Shares	6,308	6,308
Translation differences	574	164
Equity profit	7,549	1,989
Investment in shares	14,431	8,461
Loans granted	23,125	11,066
Investment in associates	37,556	19,527

The loans finance investments in those associates. The loans do not have specified maturity date and are denominated in EUR with the interest based on EURIBOR plus margin.

Selected financial information of the associates comprises the following:

	31 December 2006	31 December 2005
Assets	67,142	32,053
Liabilities	56,854	29,413
	Year ended 31 December 2006	Year ended 31 December 2005
Revenues from operations	2,834	1,403
Profit for the year	5,560	531

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**18. Other non-current assets**

Included within other non-current assets are the following:

	31 December 2006	31 December 2005
Lease origination costs	1,247	624
Deferred debt expenses (*)	1,057	451
	<u>2,304</u>	<u>1,075</u>

(\*)Expenses related to loan that has not been drawn-down.

**19. Accrued income and other receivables**

Accrued income consists of the following:

	31 December 2006	31 December 2005
Sale of residential units	13,801	1,711
Sale of subsidiary/fixed asset (*)	2,500	26,505
Services and other	798	963
	<u>17,099</u>	<u>29,179</u>

(\*) The amount as of 31 December 2005 relates to sale of Allianz shares. The amount as of 31 December 2006 relates to sale of Vega land (part of Mokotów Business Park sale).

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**20. Derivatives**

As of 31 December 2006, the Company has the following derivatives:

Party	Loan hedged	Commence	Expiration date	Interest rate on bank loan (swapped)	Interest to be paid by the Company	Accounting treatment
Raffaisen Bank	Loan from EBRD (GTC Serbia)	8 May 2006	5 August 2011	Floating	Fixed 3.85%	Directly to Equity
EUROHYPO	Loan from EUROHYPO (GTC Topaz office)	January 2006	December 2007	Floating	Cap 3.5%	Directly to Equity
		January 2008	December 2011		Collar 3.2%-4.1%	Profit and Loss
MKB	Loan from MKB (GTC Hungary)	April 2006	January 2009	Floating	Collar 3.41%-3.7%	Profit and Loss
		February 2009	January 2014		Collar 3.77%-4.15%	Profit and Loss
Aareal bank	Loan from Aareal (GTC Galeria Kazimierz)	April 2006	March 2007	Floating	Fixed 3.32%	Directly to Equity
		April 2007	March 2011		Collar 3.25%-5.5%	Profit and Loss
		May 2006	May 2011		Fixed 3.92%	Directly to Equity

Expired in the year:

Deutsche Bank	Loan from BPH Bank (GTC Mars)	December 2001	July 2006	Fixed	Floating	Profit and Loss
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Derivatives agreements related to GTC Serbia and GTC Hungary were signed during 2006.

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**21. Short-term deposits**

Short-term deposits can be used specifically for certain operating activities as determined by specific loan agreements.

**22. Cash and cash equivalents**

	31 December 2006	31 December 2005
Cash in hand	130	25
Cash in bank and deposits	365,334	73,179
	365,464	73,204

All cash and cash equivalents are available for use by the Group.

**23. Credit line**

As of the reported periods the Company had the following agreements:

In March 2006 GTC Business Park signed a loan agreement with Raffeisen Bank for a short term loan amounting to EUR 2.5 million. The loan was granted for a period of one year and it can be renewed for an additional year. The loan bears interest of 1 month EURIBOR + 1.5%. As a security for the loan, GTC International Development d.o.o. pledged a bank deposit of EUR 2.6 million. The loan was used for the acquisition of the land on which Block 19A project will be developed. As of 31 December 2006 the outstanding amount was USD 3,989 thousand.

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**24. Long-term loans**

Long-term loans comprise the following:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Loan from BPH Bank (GTC Mars) (**)	-	114,167
Loan from Aareal Bank (Rodamco CH1)	53,178	53,842
Loan from BPH (GTC Taurus) (**)	-	18,971
Loan from Aareal Bank (GTC Galeria Kazimierz) (*)	48,092	77,675
Loan from WBK (Globis Poznan)	11,803	11,212
Loan from WBK 1 (GTC Korona)	10,788	11,398
Loan from WBK 2 (GTC Korona)	5,210	-
Loan from EUROHYPO (GTC Topaz office)	19,370	17,752
Loan from MKB (Centre Point I)	40,424	37,529
Loan from MKB (Centre Point II)	48,575	16,077
Loan from MKB (Riverloft 1)	-	7,376
Loan from MKB (Riverloft 2)	19,828	1,879
Loan from MKB (Spiral)	8,454	8,791
Loans from GTC Real Estate	2,439	2,097
Loan from EBRD and Raiffeisen Bank (GTC Serbia)	29,223	11,953
Loan from EBRD and Raiffeisen Bank (America House)	31,486	27,774
Loan from Raiffeisen (Green Dream)	9,314	-
Loan from MKB and Zagrebacka Banka (GTC Croatia)	23,038	5,037
Loans from minorities in subsidiaries	45,567	3,138
Deferred issuance debt expenses	(3,254)	(5,184)
	<b>403,535</b>	<b>421,484</b>

(\*) Decrease results from the sale of 50% in Galeria Kazimierz

(\*\*) Loan repaid as a result of Mokokotów Business Park sale.

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**24. Long-term loans (continued)**

Long-term loans have been separated into the current portion and the long-term portion as disclosed below:

	31 December 2006	31 December 2005
Current portion of long term loans:		
Loan from BPH Bank (GTC Mars)	-	7,000
Loan from Aareal Bank (Rodamco CH1)	2,448	2,448
Loan from BPH (GTC Taurus)	-	1,092
Loan from Aareal Bank (GTC Galeria Kazimierz)	2,069	3,811
Loan from WBK (Globis Poznan)	667	600
Loan from WBK 1 (GTC Korona)	610	610
Loan from EUROHYPO (GTC Topaz office)	691	337
Loan from MKB (Centre Point I)	1,383	1,200
Loan from MKB (Centre Point II)	2,141	-
Loan from MKB (Riverloft 1 )	-	314
Loan from MKB (Riverloft 2 )	19,828	-
Loan from MKB (Spiral)	8,454	1,206
Loan from EBRD and Raiffeisen Bank (GTC Serbia)	1,427	875
Loan from EBRD and Raiffeisen Bank (America House)	1,717	554
Loan from MKB and Zagrebacka Banka (GTC Croatia)	5,893	-
Loans from minorities in subsidiaries	15,953	-
Deferred issuance debt expenses	(18)	(76)
	63,263	19,971

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**24. Long-term loans (continued)**

	31 December 2006	31 December 2005
Long term portion of long term loans:		
Loan from BPH Bank (GTC Mars)	-	107,167
Loan from Aareal Bank (Rodamco CH1)	50,730	51,394
Loan from BPH (GTC Taurus)	-	17,879
Loan from Aareal Bank (GTC Galeria Kazimierz)	46,023	73,864
Loan from WBK (Globis Poznan)	11,136	10,612
Loan from WBK 1 (GTC Korona)	10,178	10,788
Loan from WBK 2 (GTC Korona)	5,210	
Loan from EUROHYPO (GTC Topaz office)	18,679	17,415
Loan from MKB (Centre Point I)	39,041	36,329
Loan from MKB (Centre Point II)	46,434	16,077
Loan from MKB (Riverloft 1)	-	7,062
Loan from MKB (Riverloft 2)	-	1,879
Loan from MKB (Spiral)	-	7,585
Loan from GTC Real Estate	2,439	2,097
Loan from EBRD and Raiffeisen Bank (GTC Serbia)	27,796	11,078
Loan from EBRD and Raiffeisen Bank (America House)	29,769	27,220
Loan from Raiffeisen (Green Dream)	9,314	
Loan from MKB and Zagrebacka Banka (GTC Croatia)	17,145	5,037
Loans from minorities in subsidiaries	29,614	3,138
Deferred issuance debt expenses	(3,236)	(5,108)
	340,272	401,513

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**24. Long-term loans (continued)**

The table below presents information and terms of the long term loans:

	Total available amount	Tranches	Repayments	Expiration date	Interest rate fixed/floating	Interest rate	Securities
Loans from BPH Bank (GTC Mars) (****)	USD 165 million	USD 130 million	Monthly instalments	Aug-2009	Fixed	LIBOR+2% +SWAP (*)	(**)
		USD 25 million	Aug-2009	Aug-2009	Fixed	LIBOR+2% +SWAP (*)	(**)
		USD 10 million	Semi annual , based on excess cash flow	Aug-2009	Floating	LIBOR+2%	(**)
Loans from Aareal Bank (Rodamco CH1) (***)	USD 130.8 million	USD 90 million	Monthly instalments	Dec-2015	Fixed	LIBOR+1,75% +SWAP (*)	(**)
		USD 10 million	Semi annual , based on excess cash flow	Dec-2015	Floating	LIBOR+1,75%	(**)
		USD 23 million	Monthly instalments	Dec-2015	Fixed	LIBOR+1,75% +SWAP (*)	(**)
		USD 1.5 million	Semi annual , based on excess cash flow	Dec-2015	Floating	LIBOR+1,75%	(**)
		USD 6.3 million	Semi annual , based on excess cash flow	Dec-2015	Fixed	LIBOR+1,75%	(**)
Loan from BPH (GTC Taurus) (****)	USD 22.5 million	-	Monthly instalments	Dec-2011	Fixed	LIBOR+2% +SWAP (*)	(**)
Loans from Aareal Bank (GTC Galeria Kazimierz) (***)	Euro 78 million	Euro 55 million	Monthly instalments starting from Mar-2005	Mar-2015	Construction period-floating, After completion-fixed	EURIBOR +1.9% during construction, EURIBOR r+1.6%+ SWAP after completion	(**)
		Euro 13 million	Semi annual based on excess cash flow, starting from Mar-2005	Mar-2015	Floating	EURIBOR+1.6%	(**)
Loan from WBK (Globis Poznan)	Euro 10 million	-	48 quarterly instalments starting from Nov. 2004	Nov-2016	Floating	EURIBOR+1.5%	(**)
Loan from WBK (Globis Wroclaw)	Euro 22 million	-	120 monthly repayments		Floating	LIBOR+1.5%	(**)
Loan from WBK 1 (GTC Korona)	USD 12 million	-	48 quarterly instalments starting from Nov. 2004	Nov-2016	Floating	LIBOR+1.5%	(**)
Loan from EUROHYPO (Topaz office)	Euro 15 million	-	Monthly instalments starting from January 2006	Dec-2014	Floating	EURIBOR+1.4% during construction, EURIBOR+1.3%+ SWAP after completion	(**)



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**24. Long-term loans (continued)**

	Total available Amount	Tranches	Repayments	Expiration date	Interest rate fixed/floating	Interest rate	Securities
Loan from MKB (Centre Point I+II)	EUR 92.7 million	EUR 33.5 million	quarterly repayments	2019	Floating	EURIBOR + 1.6 %	(**)
		EUR 21.2 million	quarterly repayments	2019	Floating	EURIBOR + 1.65 %	
		EUR 38 million	Refinance	2019	Floating	EURIBOR + 1.6 %	
Loan from MKB (River Loft 1) ****		HUF 691 million	30 June 2006	30 June 2006	Floating	BUBOR+ 1.85%	(**)
Loan from HVB (River Loft 2)		HUF 700 million	30 June 2007	30 June 2007	Floating	BUBOR+ 2%	(**)
		HUF 1,877 million	30 June 2007	30 June 2007	Floating	BUBOR+ 2%	(**)
		EUR 1,055 thousand	30 June 2007	30 June 2007	Floating	EURIBOR + 2%	(**)
		HUF 440 million	30 June 2007	30 June 2007	Floating	BUBOR+ 2%	(**)
		EUR 4 million	30 June 2007	30 June 2007	Floating	EURIBOR + 1.85%	(**)
		EUR 5.5 million	Refinance		Floating	EURIBOR + 1.85%	(**)
Loan from MKB (Spiral)****		HUF 1,620 million		28 September 2007	Floating	BUBOR+ 1.5%	(**)
		HUF 275.5 million		28 April 2006	Floating	BUBOR+ 1.5%	(**)
GTC Real Estate	USD/Euro	-	Not specified	2006-2008	Fixed/Floating	EURIBOR+3%	(**)
Loan from EBRD (GTC Serbia)	Euro 10.16 million	-	Starting from May 2005	2013	Floating	EURIBOR 2%-4.5%	(**)
Loan from EBRD (GTC Romania)	Euro 27.12 million	-	Starting from August 2006	2018	Floating	EURIBOR 2%-4.5%	(**)
Loan from ING (Platinum 1)	Eur 15 million				Floating	Euribor +1.05%	
Loan from Eurohypo (Nefryt)	Eur 24 million				Floating	Euribor +1.15%	
Loan from WBK 3 (Edison)	Eur 13 million		9 months after conversion	10 years	Floating	Euribor +1.2%	
Loan from WBK 2 (Newton)	\$16 million		12 months after conversion	11 years	Floating	Libor +1.3%	
Loan from Bank Austria Creditanstalt AG and HVB Bank Romania S.A. (petricani)	Refinance	Euro 80 million	Quarterly repayments, no later than July 31, 2008	15 years	Floating	Euribor + 3%-3.1%	
Loan from Raiffeisen (Green Dream)		Euro 24.6 million	Both loans mature at the earliest of 30 months following the date of the loan agreement or October 30, 2008.		Floating	EURIBOR 2.25%	
		RON 2.5 million			Floating	Bubor + 1.75%	
Loan from MKB(GTC Croatia)	Euro 48.1 million	-		2020	Floating	EURIBOR+2.2%-2.4%	(**)
Loans from minorities in subsidiaries	USD/Euro		Not specified	Not specified	Fixed/Floating	LIBOR/EURIBOR+3%	

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**24. Long-term loans (continued)**

- (\*) Interest rate determined as at the drawdown date.
- (\*\*) Mortgage over the asset together with assignment of the associated receivables and insurance rights.
- (\*\*\*) GTC consolidates 50% of these loans as a result of its 50% ownership in Rodamco CH1 and GTC Galeria Kazimierz respectively, which are the borrowers.
- (\*\*\*\*) The loan was repaid in full

The value of the assets pledged as security is higher than the value of the related loans.

The fair value of loans bearing fixed interest rates is higher than the value at amortised cost presented in these financial statements by c.a. USD 1.2 million as of 31 December 2006 (USD 4.8 million as of 31 December 2005).

The average effective interest rate on the Group's loans during the Year ended 31 December 2006 was 6.0% (6.4% in year 2005).

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**25. Capital and Reserves**

On 19 July 2006 the court approved a split of the Company's shares. As result of the split each holder of the company's share with a nominal value of PLN 1 now holds 10 shares with a nominal value of PLN 0.1 each.

The split took effect on 9 August 2006. Number of shares and related amounts were adjusted retrospectively.

As at 31 December 2006 the share capital is divided into shares as follows:

Number of Shares	Share series	Total value In PLN	Total value in USD
139,286,210	A	13,928,621	4,151,730
1,152,240	B	115,224	26,660
235,440	B1	23,544	5,849
8,356,540	C	835,654	183,824
9,961,620	D	996,162	247,469
39,689,150	E	3,968,915	985,968
2,230,340	F	223,034	69,178
17,120,000	G	1,712,000	524,880
218,031,540		21,803,154	6,195,558

All shares are entitled to the same rights.

Movement in number of shares:

The reconciliation of the number of shares outstanding as at the beginning and at the end of the respective periods is presented below:

	31 December 2006	31 December 2005 (restated)
Number of shares as at the beginning of the year	199,648,410	198,681,200
Issuance of shares (seria G)	17,120,000	-
Issuance of shares (seria F)	1,263,130	967,210
Number of shares as at the end of the period	218,031,540	199,648,410

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**25. Capital and Reserves (continued)**

Movement in share premium:

	31 December 2006	31 December 2005
Balance at the beginning of the year	140,198	138,209
Issuance of shares	149,174	98
Shares issuance expenses	(1,848)	-
Share based payment	4,119	1,891
Tax benefit resulted from shares issuance expenses	351	-
Balance at the end of the period	291,994	140,198

The major shareholder of the Company as of 31 December 2006 was GTC Real Estate N.V. with total number of shares held 10,119,378 which constitute 46.4% of total shares.

Other shareholders who as of 31 December 2006 held above 5% of the Company shares were as follows:

- ING Nationale Nederlanden
- Commercial Union

On 24 March 2006, GTC completed a successful public issuance of 17.12 million new shares at a price of PLN 28.5 (USD 8.74) per share.

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**25. Capital and Reserves (continued)**

On 26 June 2006 the chairman of the supervisory board, the chairman of the Supervisory Board, exercised 1,179,170 Subscription Warrants at a price of PLN 0.1, 83,960 Subscription Warrants at a price of PLN 4.282. The remaining 224,820 Subscription Warrants expired and will not be exercised.

Certain key management personnel are entitled to a total of 2,000,000 of the Company Phantom Shares executable as follows:

Number of Tranches	Number of Phantom Shares granted	Cumulative Number of Phantom Shares granted	First Exercise Date	Final Exercise Date
1.	500,000	500,000	1 January 2007	31 December 2010
2.	500,000	1,000,000	1 January 2008	31 December 2010
3.	500,000	1,500,000	1 January 2009	31 December 2010
4.	500,000	2,000,000	1 January 2010	31 December 2010

The Phantom Shares grant the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company the exercise notice, and PLN 22.5 per share (adjustable for dividend). The Company at its discretion may settle it in the form of cash. As at the granting date the average fair value of share options amounts to USD 2.8 per option.

The settlement of the phantom shares (cash or equity) is the decision of the supervisory board of the Company.

Phantom shares expenses have been provided for assuming payments will be settled in equity instruments.

The Supervisory Board granted key management personnel the rights to purchase 210,000 series B1 shares for its nominal value in 2 equal tranches on May 2006, 2007. The right concerning the first tranch has been executed.

The vesting condition for all share based payments requires from the person entitled to those instruments to remain as a key management personnel during the vesting period.

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**25. Capital and Reserves (continued)**

The total shares based payment expenses in the Year ended 31 December 2006 and 2005 were USD 4,119 thousand and USD 1,891 thousand. Those expenses are included within the administration expenses.

Movement in shares or phantom shares designated to key management personnel were as follows:

Number of shares	Seria B+B1	Seria F	Phantom shares (as described above)
Number of options/shares vested as of 31 December 2005	292,230	2,975,900	-
Number of options/shares granted in the year (subject to vesting period)	210,000	-	2,000,000
Number of options exercised in the period	-	(1,263,130)	-
Number of options expired in the year		(224,820)	
Number of options/shares vested as of 31 December 2006	502,230	1,487,950	2,000,000

On 29 March 2006, the Company concluded an ordinary shareholder meeting. The ordinary shareholder meeting decided that the profit accounted under Polish Accounting Standards, in the statutory financial statements for the year 2005, shall be retained as follows:

An amount of 2,500 thousand PLN (757 thousand USD) transferred to Capital reserve (“Kapitał Zapasowy”).

The remaining profit for the year 2005 is retained as retained earning.

The above Capital reserve is created based on provisions of the Polish Code of commercial companies.

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**26. Earnings per share**

Basic and diluted earnings per share were calculated as follows:

	<u>Year ended 31 December</u>	
	<u>2006</u>	<u>2005</u> <i>(restated)</i>
Net profit after tax (USD) attributable to equity holders	249,926,000	140,145,000
Weighted average number of shares for calculating basic earnings per share (*)	213,865,109	199,600,710
Basic earnings per share (USD)	1.17	0.70
Weighted average number of shares for calculating diluted earnings per share (*)	215,265,102	201,541,790
Diluted earnings per share (USD)	1.16	0.70

	<u>Year ended 31 December</u>	
	<u>2006</u>	<u>2005</u> <i>(restated)</i>
Weighted average number of shares for calculating basic earnings per share	213,865,109	199,600,710
Adjustment for share options	1,399,993	1,941,080
Weighted average number of shares for calculating diluted earnings per share	215,265,102	201,541,790

(\*) On 19 July 2006 the court approved a split of the Company's shares. As result of the split each holder of the company's share with a nominal value of PLN 1 holds to 10 shares with a nominal value of PLN 0.1 each.

The split took effect on 9 August 2006. In accordance with IAS 33 earning per share calculations of all periods presented shall be adjusted retrospectively.

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**27. Loans granted**

The balance represents loans granted by GTC to the chairman of the supervisory Board or AYRAD, a company controlled by him (together "AYRAD") (see note 33). They are usually nominated in Euro or USD and carry in interest rate of LIBOR/Euiribor +3%, AYRAD is required to lend this amount to subsidiaries at the same rate.

The loans will be repaid based on the repayment of shareholders loans by the relevant subsidiary.

**28. Other income**

GTC Mars received from the city council a decision approving an amount of overpaid property tax. The overpaid property tax will be refund in cash until January 2008.

As a result of the above in 2006, USD 3,463 thousand was recognised within other income.

**29. Sale of subsidiary**

On 21 December 2005, GTC and Fellstone Limited signed a conditional Preliminary Share Purchase Agreement for the sale of 50% stake in the company that holds Galeria Kazimierz shopping centre. On 28 April 2006 the share purchase agreement of 50% of the registered capital of GTC Galeria Kazimierz was concluded between GTC and Fellstone Limited.

The Company's interest (100%) in GTC Galeria Kazimierz as of 28 April 2006 comprised the following:

	<b>28 April 2006</b>
Non current assets	176,326
Current assets (other than cash)	5,473
Cash	2,653
Current liabilities	(8,660)
Long term liabilities	(96,126)
Net assets	79,666

Cash resulted from sale of subsidiaries comprises the following:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Cash inflow resulted from sale of GTC Galeria Kazimierz	48,655	-
Cash inflow resulted from sale of GTC Alp (*)	25,447	-
Cash in the sold subsidiary at the sale date	(1,326)	(14,060)
Cash inflow resulted from sale of subsidiaries	72,776	(14,060)

(\*) GTC Alp sold on 29 December 2005, payment for the shares received in January 2006



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**30. Purchase of shares in subsidiaries, net of cash acquired**

	<b>31 December 2006</b>
Real estate under construction	23,181
Investment property	2,506
Inventory	26,339
Current asset	679
Current liabilities	(748)
Long term liabilities	(6,255)
Minority interests	(1)
<b>Total paid</b>	<b>45,701</b>

The amounts of expenditures for the period ended 31 December 2005 amounted to USD 28,128 thousand relate to the acquisition of minority interest in the subsidiaries.

**31. Proportionate consolidation**

The Company proportionally consolidated assets and liabilities of Rodamco CH1 , GTC Galeria Kazimierz and National Commercial Centers B.V.

The Company's interest in the above companies comprises the following:

	<b>31 December 2006</b>	<b>31 December 2005*</b>
Cash	10,698	3,373
Blocked deposits	3,391	1,084
Non current assets	281,638	136,634
Current assets (other than cash and blocked deposits)	4,330	521
Long term liabilities	(134,465)	(62,527)
Current liabilities	(8,168)	(4,337)
<b>Net assets</b>	<b>157,424</b>	<b>74,748</b>
Income	82,621	48,200
Expenses	(27,230)	(15,270)
<b>Profit for the year</b>	<b>55,391</b>	<b>32,930</b>

\*Relates only to Rodamco CH1

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**32. Financial liability**

On 1 May 2006, GTC granted to AYRAD an option (Put Option) to sell to GTC any or all of his shares in GTC's subsidiaries within a certain period following termination of his relationship with such subsidiary or with GTC (see note 33). Expiry date of the put option is within 24 months following the 31 December 2009, unless the put option previously has become exercisable as provided in the agreement.

As of 1 May 2006, GTC recognized a financial liability under the above contract at its fair value. The minority interest reported in the financial statements was reclassified to a financial liability and the difference between the fair value of that liability and the minority interest as of 1 May 2006, was charged against retained earnings.

Any subsequent re-measurement of financial liability is accounted for through the profit and loss account (financial expenses).

The fair value of the Put Option has been determined by an independent valuer as of 31 December 2006 and has been presented as financial liability.

The main estimates used in determining the fair value of the financial liability related were as follows:

Investment properties were stated at their fair value as included in the financial statements.

Projects in development stage were estimated using the residual value method to arrive at respective fair value.

Projects not yet in development stage were estimated using the comparable value method to arrive at respective fair value.

**33. Related party transactions**

Service and consultancy fees relate to management services provided by GTC Real Estate, Kardan Real Estate, Tamlot (a company controlled by supervisory board member) and AYRAD for the benefit of the Group companies.

Transactions with the related parties are arm's length transactions.

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The transactions and balances with related parties are presented below:

	Year ended 31 December 2006	Year ended 31 December 2005
<b>Transaction</b>		
Service and consultancy fees	354	354
Consultancy fees relating to interest in Galeria Mokotow	441	387
Management fees income from associates	(150)	(38)
<b>Balances</b>		
Loans from GTC Real Estate	2,439	2,097
Loans from minorities in subsidiaries	10,159	2,002
loans granted to AYRAD	(10,159)	-
loans granted to management board members	153	166
Accruals	4,027	-
Payables	115	170

Management and Supervisory Board remuneration for the year ended 31 December 2006, amounted to USD five million and nine hundred forty four thousands, one million four hundred forty six thousands four hundred fifty shares at an average price of thirty four groszy, and five hundred thousands phantom shares. Management and Supervisory Board remuneration for the year ended 31 December 2005, amounted to USD one million and two hundred fifty eight thousands, one million one hundred seventy four thousands and one hundred sixty shares at an average price of thirty six groszy.

In March 2006, GTC purchased from GTC Real Estate, for its nominal value being the fair value, 95% stake in GTC Slovakia.

In April 2006, GTC purchased from GTC Real Estate, for its nominal value being the fair value, 95% stake in GTC Bulgaria.

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**33. Related party transactions (continued)**

The Company granted key management personnel, a total amount of 2,000,000 (\*) (Company Phantom Shares (see note 25)).

In addition, a key management personnel is entitled to an annual bonus, in the aggregate, as following:

- 0.36% of the Group's profit for the period
- 2% of the Group's annual profits before tax excluding (i) any pre-tax influence of revaluations, (ii) any pre-tax influence of capital gains, and (iii) the effects of minority interests on all the above;
- 1.2% of the net increase (after tax) in the value of any capital asset sold during the year, calculated as the gap between the net proceeds from the sale and the total cost of the asset sold, excluding the effects of minority interests.

In the year 2006, the bonus amounted to USD 4,062.1

The Company has agreed that in the event that GTC undertakes any investment through a new subsidiary, AYRAD are entitled to acquire shares in such subsidiary in an amount equal to 5% of the combined holding of GTC and AYRAD.

GTC undertakes to advance AYRAD with loans, in amounts that AYRAD is required to invest in a subsidiary (see note 27).

GTC granted AYRAD an option (Put Option) to sell to GTC any or all of his shares in GTC's subsidiaries within a certain period following termination of AYRAD's relationship with such subsidiary or with GTC.

AYRAD granted GTC an option (Call option) to buy any or all of his shares in GTC's subsidiaries within 30 days following the expiration of the above mentioned Put option.

The exercise price of the options shall be the fair value of the shares being transferred, as of the date of the Put or Call exercise notice.

The Supervisory Board granted key management personnel the rights to purchase 210,000 (\*) series B1 shares for its nominal value in 2 equal tranches on May 2006 (see note 25) and 2007.

(\*) On 19 July 2006 the court approved a split of the Company's shares. As result of the split each holder of the company's share with a nominal value of PLN 1 holds to 10 shares with a nominal value of PLN 0.1 each. The split took effect on 9 August 2006. Numbers of shares were adjusted retrospectively.

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**34. Long term payable**

In December 2004, GTC Business Park won a tender for the lease of a 10,270 sq.m land located in Belgrade, Serbia, for the purpose of the development of business-residential building. The lease is for a period of 99 years.

The total consideration for the land amounts to Euro 6.5 million (USD 8.3 million) payable in instalments to the agency of the city of Belgrade. As a collateral GTC Business Park provided the agency with a bank guarantee in the amount of approximately Euro 0.7 million (USD 0.9 million).

The lease price is linked to the Serbian consumer price index.

**35. Goodwill**

The goodwill allocation to the group of units comprises the following:

	31 December 2006	31 December 2005
GTC Hungary	3,536	5,014
GTC Croatia	1,231	1,231
GTC Romania	6,972	10,456
	11,739	16,702

The decrease of goodwill in the year ended 31 December 2006 related to the completion of Centre Point II and America House revalued to fair value at the completion date.

**36. Sale of property**

Following a preliminary sale agreement of Mokotow Business Park in Warsaw dated 11 October 2006 with Heitman European Property Partners III Fund, a final sale agreement was signed on 1 December 2006 (see note 16). The loans related with the project were fully repaid (see note 24)

	31 December 2006	31 December 2005
Selling price	286,200	-
To be repaid	(2,500)	-
Selling and other expenses	(2,277)	-
	281,423	-

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**37. Commitments and Guarantees**

As of 31 December 2006 and 31 December 2005, the Group had commitments contracted for in relation to future building construction, amounting to \$292 million and \$97 million. These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

As of 31 December 2006 and 31 December 2005, the GTC gave guarantees to third parties in relation to secure cost overrun and loans of its subsidiaries. The guarantees granted amounted to \$81 million and \$49 million .

**38. Financial risk management objectives and policies**

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk, and credit risk.

**Interest rate risk**

The Group exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to obtain finance bearing variable interest rate. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps or collar transactions.

**Foreign currency risk**

An operating units enters into transactions in currencies other than the Group's functional currency. Therefore the unit hedges the currency risk by matching the currency of the income with that of the construction, financing and operating currency.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding its investments and timely servicing its debt and maintaining sufficient working capital resources.

The Group's current ratio is 2.83, which reflects sufficient working capital to facilitate all on-going and contingent operations of the Group. In addition, the ratio of Total Liabilities to Total Assets is 40%, which reflects depleted liquidity risk.

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Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group has no significant concentration of credit risk with any single counterparty or Group counterparties.

**39. Selected financial information translated into Euro**

According to the statutory reporting requirements selected financial information of the company that were translated into Euro comprises the following:

<u>In thousands of</u> <u>Euro</u>	<b>31 December 2006</b>	<b>31 December 2005</b>
Revenues from operations	80,883	76,837
Gross margin from operations	48,787	45,841
Profit from continuing operations before tax and finance income / (costs)	237,132	157,293
Profit for the period	201,904	115,741
Assets	1,210,790	894,350
Liabilities	479,706	432,669
Total equity	731,084	461,681
Current assets	435,015	150,215
Current liabilities	153,294	54,940

The National Bank of Poland (NBP) USD/EUR rates used for translation the above information, were as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Average rate for the period	1.26	1.24
Rate at the end of period	1.32	1.18

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**40. Subsequent events**

On 1 January 2007, the Company changed the functional currency in the financial statements from USD to Euro as further disclosed in Note 7.

On 4 January 2007 the chairman of the Supervisory Board, exercised 1,250,750 Subscription Warrants at a price of PLN 0.1, 90,700 Subscription Warrants at a price of PLN 3.89. The remaining 146,500 Subscription Warrants expired and will not be exercised.

**41. Other**

The financial statements were authorised for issue by the Management Board on 5 March 2007.