

GLOBE TRADE CENTRE S.A.

**IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007
WITH THE INDEPENDENT AUDITOR'S OPINION**

Globe Trade Centre S.A.
Consolidated Balance Sheet
as of 31 December 2007
(in thousands of Euro)

| | <u>Note</u> | <u>31 December</u> <u>2007</u> | <u>31 December</u> <u>2006</u> |
|---|-------------|-----------------------------------|-----------------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Investment property | 16 | 860,933 | 541,751 |
| Property under construction and other fixed asset | 15 | 286,357 | 170,252 |
| Investment in associates | 17 | 27,903 | 28,531 |
| Loans granted | 26 | 20,260 | 7,718 |
| Deferred tax asset | 14 | 10,711 | 3,026 |
| Long term receivables | | 1,819 | 4,506 |
| Advances to contractors | | 1,283 | 9,323 |
| Derivatives | 19 | 466 | - |
| Goodwill | 30 | 7,983 | 8,918 |
| Other non-current assets | | 2,080 | 1,750 |
| | | 1,219,795 | 775,775 |
| Current Assets | | | |
| Inventory | | 212,933 | 115,780 |
| Advances to contractors | | 15,595 | - |
| Debtors | | 2,589 | 3,855 |
| Accrued income | 18 | 5,258 | 12,990 |
| Derivatives | 19 | 11,983 | 653 |
| VAT and other tax recoverable | | 26,308 | 12,109 |
| Income tax recoverable | | 2,358 | 1,623 |
| Prepayments, deferred expenses | | 5,028 | 2,479 |
| Short-term deposits | 20 | 13,757 | 7,889 |
| Cash and cash equivalents | 21 | 345,630 | 277,636 |
| | | 641,439 | 435,014 |
| TOTAL ASSETS | | 1,861,234 | 1,210,789 |

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

Globe Trade Centre S.A.
Consolidated Balance Sheet
as of 31 December 2007
(in thousands of Euro)

| | <u>Note</u> | <u>31 December</u> <u>2007</u> | <u>31 December</u> <u>2006</u> |
|---|-------------|-----------------------------------|-----------------------------------|
| EQUITY AND LIABILITIES | | | |
| Capital attributable to equity holders of the parent | | | |
| Share capital | 24 | 4,741 | 5,230 |
| Share premium | | 224,253 | 245,170 |
| Capital reserve | | 1,510 | 1,660 |
| Hedge reserve | | 412 | 230 |
| Foreign currency translation | | (1,867) | (51,764) |
| Accumulated profit | | 729,622 | 530,532 |
| | | 958,671 | 731,058 |
| Minority Interest | | 29,434 | 26 |
| Total Equity | | 988,105 | 731,084 |
| Long-term Liabilities | | | |
| Long-term portion of long-term loans | 23 | 578,482 | 258,499 |
| Deposits from tenants | | 1,981 | 1,468 |
| Long term payable | | 4,378 | 2,701 |
| Financial liability | 28 | 19,155 | 9,412 |
| Provision for deferred tax liability | 14 | 93,681 | 54,332 |
| | | 697,677 | 326,412 |
| Current Liabilities | | | |
| Trade and other payables | | 39,827 | 42,015 |
| Current portion of long-term loans | 23 | 30,410 | 48,060 |
| Credit line | 22 | 1,537 | 3,030 |
| Current portion of long term payable | | 1,168 | 3,663 |
| VAT and other taxes payable | | 837 | 12,814 |
| Income tax payable | | 706 | 10,069 |
| Accruals | | 40,782 | 19,482 |
| Advances received | | 60,185 | 14,096 |
| Derivatives | 19 | - | 64 |
| | | 175,452 | 153,293 |
| TOTAL EQUITY AND LIABILITIES | | 1,861,234 | 1,210,789 |

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 2007
(in thousands of Euro)

| | Note | <u>Year ended</u> <u>31 December 2007</u> | <u>Year ended 31</u> <u>December 2006</u> |
|--|-------|--|--|
| Revenues from operations | 8,13 | 73,608 | 80,883 |
| Costs of operations | 9,13 | (23,661) | (32,095) |
| Gross margin from operations | | 49,947 | 48,788 |
| Selling expenses | 10 | (4,280) | (2,932) |
| Administration expenses | 11 | (17,191) | (14,862) |
| Profit from revaluation of investment property | 16,13 | 292,377 | 199,108 |
| Other income/ (expenses), net | | 2,299 | 2,486 |
| Profit from continuing operations before tax and financial related income / (expense) | | 323,152 | 232,588 |
| Foreign exchange differences gain/(loss), net | | (22,830) | 10,020 |
| Interest income | | 15,882 | 5,876 |
| Other financial expenses, net | 12 | (22,501) | (16,461) |
| Profit on sale of subsidiaries | | 732 | 1,332 |
| Share of profit/ (losses) from associates | 17 | 4,709 | 4,224 |
| Profit before taxation | | 299,144 | 237,579 |
| Taxation | 14 | (37,731) | (39,632) |
| Profit for the year | | 261,413 | 197,947 |
| Attributable to: | | | |
| Equity holders | | 234,410 | 195,071 |
| Minority interest | | 27,003 | 2,876 |
| Basic earnings per share (Euro) | 25 | 1.069 | 0.91 |
| Diluted earnings per share (Euro) | 25 | 1.063 | 0.91 |

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

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2007
(In thousands of Euro)

| | Issued and paid in share capital | Share premium | Capital reserve | Hedge reserve | Foreign currency translation | Accumulated profit | Total | Minority interest | Total |
|--|---|------------------|--------------------|------------------|------------------------------------|-----------------------|----------------|----------------------|----------------|
| Balance as of 1 January 2006 | 4,759 | 118,458 | 1,040 | (240) | (5,697) | 342,676 | 460,996 | 677 | 461,673 |
| Hedge transactions | - | - | - | 473 | - | - | 473 | - | 473 |
| Put option granted to minority | - | - | - | - | - | (6,595) | (6,595) | (3,634) | (10,229) |
| Sale of subsidiary | - | - | - | (3) | (1,332) | - | (1,335) | - | (1,335) |
| Currency translation differences | - | - | - | - | (44,735) | - | (44,735) | 107 | (44,628) |
| Net income/expense recognized directly in equity | - | - | - | 470 | (46,067) | (6,595) | (52,192) | (3,527) | (55,719) |
| Profit for the year ended 31 December 2006 | - | - | - | - | - | 195,071 | 195,071 | 2,876 | 197,947 |
| Total recognized income and expenses for the period | - | - | - | 470 | (46,067) | 188,476 | 142,879 | (651) | 142,228 |
| Issuance of shares | 471 | 123,393 | - | - | - | - | 123,864 | - | 123,864 |
| Share based payment | - | 3,319 | - | - | - | - | 3,319 | - | 3,319 |
| Increase in capital reserve | - | - | 620 | - | - | (620) | - | - | - |
| Balance as of 31 December 2006 | 5,230 | 245,170 | 1,660 | 230 | (51,764) | 530,532 | 731,058 | 26 | 731,084 |
| Change of presentation currency (see note 33) | (524) | (23,347) | (150) | 26 | 59,315 | (35,320) | - | - | - |
| Balance as of 1 January 2007 | 4,706 | 221,823 | 1,510 | 256 | 7,551 | 495,212 | 731,058 | 26 | 731,084 |
| Hedge transactions | | | | 156 | | | 156 | | 156 |
| Acquisition of subsidiary | | | | | | | | 2,361 | 2,361 |
| Disposal of subsidiary | | | | | | | | (140) | (140) |
| Currency translation differences | | | | | (9,418) | | (9,418) | 184 | (9,234) |
| Net income/expense recognized directly in equity | - | - | - | 156 | (9,418) | - | (9,262) | 2,405 | (6,857) |
| Profit for the year ended 31 December 2007 | | | | | | 234,410 | 234,410 | 27,003 | 261,413 |
| Total recognized income and expenses for the period | - | - | - | 156 | (9,418) | 234,410 | 225,148 | 29,408 | 254,556 |
| Issuance of shares | 35 | 90 | | | | | 125 | | 125 |
| Share based payment | | 2,340 | | | | | 2,340 | | 2,340 |
| Balance as of 31 December 2007 | 4,741 | 224,253 | 1,510 | 412 | (1,867) | 729,622 | 958,671 | 29,434 | 988,105 |

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 year ended 31 December 2007
(in thousands of Euro)

| | <u>Year ended</u> <u>31 December</u> <u>2007</u> | <u>Year ended</u> <u>31 December</u> <u>2006</u> |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Profit from continuing operations before tax and financial related expenses | 323,152 | 232,588 |
| Adjustments for: | | |
| Revaluation of investment properties | 13 | (292,377) |
| Share based payment | 11,24 | 2,340 |
| Depreciation and amortization | 13,15 | 298 |
| Operating cash before working capital changes | 33,413 | 37,056 |
| Decrease/(increase) in debtors and prepayments and other current assets | 8,252 | (11,025) |
| Decrease/(increase) in inventory | (65,603) | (53,681) |
| Increase in advances received | 41,630 | 23,391 |
| Increase in other non-current assets | | (85) |
| Increase/(decrease) in short-term payables and accruals | (13,277) | 2,474 |
| Cash generated/(used in) from operations | 4,415 | (1,870) |
| Interest paid | (18,595) | (18,193) |
| Interest received | 12,636 | 5,396 |
| Tax paid in the period | (3,203) | (1,367) |
| Net cash used in operating activities | (4,747) | (16,034) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (209,284) | (103,082) |
| Purchase of shares in subsidiaries, net of cash acquired | (a) (78,587) | (36,412) |
| Purchase of shares in associates | 17 (3,010) | - |
| Sale of non current assets | - | 224,224 |
| Sale of shares in subsidiary net of cash disposed of | (b) 119,270 | 57,984 |
| Sale of shares in subsidiary to minority | 7,230 | |
| Tax paid | (21,381) | 3,036 |
| Dividend received | 6,735 | - |
| Lease origination expenses | (1,111) | (1,169) |
| Loans granted | (17,849) | (23,777) |
| Loans repayments | 10,766 | 3,060 |
| Increase in short term deposits | (5,046) | (5,247) |
| Decrease in short term deposits | - | 8,355 |
| Net cash from /(used in) investing activities | (192,267) | 126,972 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of share | 125 | 125,066 |
| Proceeds from long-term borrowings | 351,919 | 107,601 |
| Repayment of long-term borrowings | (72,906) | (117,230) |
| Proceeds from / (repayments of) short-term loan | (1,474) | 2,953 |
| Shares origination cost | - | (1,473) |
| Loans origination cost | (1,550) | (1,487) |
| Deposits received from/(repaid to) tenants | 639 | (646) |
| Net cash from financing activities | 276,753 | 114,784 |
| Effect of foreign currency translation | (11,745) | (9,939) |
| Net increase in cash and cash equivalents | 67,994 | 215,783 |
| Cash and cash equivalents, at the beginning of the year | 277,636 | 61,853 |
| Cash and cash equivalents, at the end of the period | 345,630 | 277,636 |

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

Globe Trade Centre S.A.
Consolidated Cash Flow Statement
for the year ended 31 December 2007
(in thousands of Euro)

(a) Purchase of shares in subsidiaries, net of cash acquired

| | <u>Year ended</u> <u>31 December 2007</u> | <u>Year ended</u> <u>31 December 2006</u> |
|--|--|--|
| Real estate under construction | 56,591 | 18,469 |
| Investment property | | 1,997 |
| Inventory | 44,375 | 20,986 |
| Long term receivables | (878) | - |
| Working capital | (7,761) | (55) |
| Long term liabilities | (11,379) | (4,984) |
| Minority interests | (2,361) | (1) |
| Total paid net of cash acquired | 78,587 | 36,412 |

(b) Sale of shares in subsidiaries, net of cash disposed of

| | <u>Year ended</u> <u>31 December</u> <u>2007</u> | <u>Year ended</u> <u>31 December</u> <u>2006</u> |
|--|--|--|
| Working capital | 1,555 | 19,034 |
| Property, plant and equipment and real estate under construction | 18 | 29 |
| Long term liabilities | - | (31,236) |
| Investment properties | 117,697 | 70,157 |
| Total inflow net of cash disposed of | 119,270 | 57,984 |

Globe Trade Centre S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2007
(in thousand of Euro)

1. Principal activities

Globe Trade Centre S.A. (the “Company”, “GTC”) was registered in Warsaw on December 19, 1996. 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 and
- b) Development and sale of residential units.

As of 31 December 2007 and 2006 the number of full time equivalent working in the Group companies was 143 and 111 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 46.1% of the Company’s shares (see note 24). The ultimate parent of the Company is Kardan N.V of the Netherlands

2. Functional and reporting currencies

The currency of Polish economy is the Polish Zloty. GTC S.A manages its books in that currency.

On 1 January 2007, the Company and some of the subsidiaries of the Group changed the functional currency in the financial statements from USD to Euro (see note 33). After the sale of Mokotow Business Park in December 2006, most of group activity is based on Euro, and therefore the company believes that Euro reflects in a more appropriate manner the Company’s events and transactions. These financial statements are presented in Euro, the Company’s functional currency.

The functional currency of some of GTC’s subsidiaries is a currency other than Euro. The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by translation into Euro 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 “Foreign currency translation difference” without affecting earnings for the period.

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

3. Basis of presentation and changes in accounting policies

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. These 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 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.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these consolidated financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group.

The Company applied to these consolidated financial statements ("consolidated financial statements") for the year ended 31 December 2007 all International Financial Reporting Standards (IFRS) effective for accounting periods beginning on or after 1 January 2007.

The Polish Accounting Act requires the Group to prepare its consolidated financial statements in accordance with IFRS applicable to financial reporting as adopted by European Union ("EU"). At this particular time, due to the endorsement process of the EU, and activities of the Company, 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 2007
(in thousand of Euro)

3. Basis of preparation (continued)

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 2007 and the Group's financial position as of 31 December 2007 in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared in thousand Euro. 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 2006.

The Company applied to this consolidated financial statements for the year ended 31 December 2007 all International Financial Reporting Standards (IFRS) effective for accounting periods beginning on 1 January 2007, and the standards that came into effect prior to 31 December 2007.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group. They did however give rise to additional disclosures.

- 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"
- IFRS 7 - "Financial Instruments: Disclosures"
- IAS 1 - "Presentation of Financial Statements-Capital Disclosures"

The following standards and interpretations were issued by the IASB or IFRIC but are not yet effective:

- IFRS 8 Operating segments - effective from 1 January 2009,
- IAS 1 Presentation of Financial Statements (amended in September 2007) - effective from 1 January 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IAS 23 Borrowing costs (amended in March 2007) - effective from 1 January 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRIC 11 Group and Treasury Share Transactions - effective from 1 March 2007 - it has not been endorsed by the EU till the day of approval of these financial statements,

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

- IFRIC 12 Service Concession Agreements - effective from 1 January 2008 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRIC 13 Loyalty Programmes - effective from 1 July 2008 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.- effective from 1 January 2008 - it has not been endorsed by the EU till the day of approval of these financial statements.
- IFRS 3 (R) Business Combinations – effective from 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements.
- IAS 27 (R) Consolidated and Separate Financial Statements – effective from 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements.

Above mentioned standards were not yet applied by the Group.

The new standards and interpretations and amendments have been analysed by the Company. Except from the new disclosure resulted from IFRS 7 and change to IAS 1 the new standards/interpretations has not affected the financial statements for the year ended 31 December 2007. The changes in the standards and interpretations, except of new disclosure requirements, have no impact on the financial data presented in these consolidated financial statements.

Globe Trade Centre S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2007
(in thousand of Euro)

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:

| | Depreciation rates |
|-----------|---------------------------|
| Equipment | 7 -20 % |
| Vehicles | 20 % |

Assets under 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 each quarter.

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

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 or by reference to sale offer. Any change in fair value is presented in the income statement.

(d) 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.

(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.

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

4. Accounting Policies (continued)

(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 estimated fair value. The minority interest was reclassified to a financial liability and the difference between the estimated fair value of that liability and the minority interest as of 1 May 2006, was charged against retained earnings.

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

(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).

Globe Trade Centre S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2007
(in thousand of Euro)

4. Accounting Policies (continued)

(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.

(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 Added 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. Borrowing costs include interest and foreign exchange differences to the extent that they are regarded as an adjustment to interest cost.

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 2007
(in thousand of Euro)

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 reduce 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

For companies with Euro as functional currency, transactions denominated in a foreign currency (including Polish Zloty) are recorded in Euro 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.

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Notes to the Consolidated Financial Statements
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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 fair value plus transaction costs in case of financial assets and financial liabilities not classified as fair value through profit and loss, which is 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:

| Category | Balance sheet item | Measurement |
|---|--------------------------------|---|
| <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 |
| Financial liability | Long term payables | Amortised costs |
| | Put option granted to minority | re-estimated amortised cost. (see note 4 (g)) |
| <u>Derivatives</u> | | |
| Held for trading | Interest Rate Swap | Fair value- adjusted to income statements, presented as non current asset |
| Hedging (cash flow hedges) | Interest Rate Swaps | Fair value- adjusted to equity, presented as non current asset |
| Held for trading | Interest Rate collars | Fair value- adjusted to income statements, presented as current asset |

Globe Trade Centre S.A.
Notes to the Consolidated Financial Statements
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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. An asset is transferred when, and only when the contractual rights to the cash flows from the financial asset expired, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions. A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled, or expired.

(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(d).

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4. Accounting Policies (continued)

(w) Purchase of shares of minority

If the Company increases 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 its share in the net assets of its controlled subsidiaries (if the subsidiaries are considered businesses), 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.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(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.

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4. Accounting Policies (continued)

(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.

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.

The group uses estimates in determining the thousand represents value of the financial liability (see note 34)

The group uses estimates in determining the amount of provision and used amortization rates.

The group uses judgements in determining the settlement of share based payment in equity.

(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.

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4. Accounting policies (continued)

(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.

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.

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5. Investment in Subsidiaries, Associates and Joint Ventures

The condensed 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 2007** | 31 December 2006 ** |
|---|-----------------|--------------------------|--------------------|---------------------|
| GTC Mars Sp. z o.o. ("GTC Mars") (in liquidation) | GTC S.A. | Poland | 100% | 100% |
| GTC Taurus Sp. z o.o. ("GTC Taurus"), (in liquidation) | GTC S.A. | Poland | 100% | 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"), (in liquidation) | 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 ") | GTC S.A. | Poland | 100% | 100% |
| Globis Wrocław Sp. z o.o. ("Globis Wrocław") | GTC S.A. | Poland | 100% | 100% |
| GTC Galeria Kazimierz Sp. z o.o. ("GTC Galeria Kazimierz") (*) | GTC S.A. | Poland | 50% | 50% |
| GTC Nefryt Sp. z o.o. ("formerly GTC Orion") | GTC S.A. | Poland | 100% | 100% |
| GTC Satellite Sp. z o.o. ("GTC Satellite") | GTC S.A. | Poland | 100% | 100% |
| GTC Sonata Sp. z o.o. ("GTC Sonata ") | GTC S.A. | Poland | 100% | 100% |
| GTC GK Office Sp. z o.o. ("formerly GTC Kazimierz Hotel") | GTC S.A. | Poland | 100% | 100% |
| Rodamco CHI Sp. z o.o. ("Rodamco CHI") (*) | GTC S.A. | Poland | 50% | 50% |
| GTC Com 1 Sp. z o.o. ("GTC Com 1") | GTC S.A. | Poland | 100% | 100% |
| GTC Wrocław Office Sp. z o.o. („formerly GTC Kazimierz Office”) | GTC S.A. | Poland | 100% | 100% |
| GTC Byrant Sp. z o.o. ("GTC Byrant") | GTC S.A. | Poland | 100% | 100% |
| GTC Diego Sp. z o.o. ("GTC Diego") | GTC S.A. | Poland | 100% | 100% |
| GTC Cyril Sp. z o.o. ("GTC Cyril") | GTC S.A. | Poland | 100% | 100% |
| GTC Com 3 Sp. z o.o. ("GTC Com 3") | GTC S.A. | Poland | 100% | 100% |
| GTC Com 4 Sp. z o.o. ("GTC Com 4") | GTC S.A. | Poland | 100% | 100% |
| GTC Com 5 Sp. z o.o. ("GTC Com 5") | GTC S.A. | Poland | 100% | 100% |
| Alfa Development Inwestycje sp. z o.o. | GTC S.A. | Poland | 100% | - |
| Sigma Development Inwestycje sp. z o.o. | GTC S.A. | Poland | 100% | - |
| Omega Development Inwestycje Sp. z o.o. | GTC S.A. | Poland | 100% | - |
| Delta Development Inwestycje Sp. z o.o. | GTC S.A. | Poland | 100% | - |
| GTC Galeria CTWA Sp. z o.o. ("Galeria CTWA ") | GTC S.A. | Poland | 100% | 100% |

* Proportionate consolidation.

** Share of GTC S.A includes, where applicable, share currently held by Eli Alroy, the chairman of the supervisory board, or a company controlled by him ("Alroy"). The value of put held by Alroy is presented as financial liability (see note 28).

*** All subsidiaries which were acquired during the year were not business combination (IFRS 3)

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5. Investment in Subsidiaries, Associates and Joint Ventures (continued)

| Name | Holding Company | Country of incorporation | 31 December 2007** | 31 December 2006 ** |
|--|-----------------|--------------------------|--------------------|---------------------|
| GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary") | GTC S.A. | Hungary | 100% | 100% |
| Vaci Ut 81-85 Kft. | GTC Hungary | Hungary | 100% | 100% |
| Riverside Apartments Kft. ("Riverside") | GTC Hungary | Hungary | 100% | 100% |
| Centre Point I. Kft. ("Centre Point I") | GTC Hungary | Hungary | 100% | 100% |
| Centre Point II. Kft. ("Centre Point II") | GTC Hungary | Hungary | 100% | 100% |
| River Loft Kft. | GTC Hungary | Hungary | 100% | 100% |
| Vector H Ltd (liquidated) | GTC Hungary | Hungary | - | - |
| Spiral Holding Kft. | GTC Hungary | Hungary | 100% | 100% |
| Spiral I.Kft. | GTC Hungary | Hungary | 100% | 100% |
| Spiral II. Kft. | GTC Hungary | Hungary | 100% | 100% |
| Spiral III. Kft. | GTC Hungary | Hungary | 100% | 100% |
| SASAD Resort Kft. (formerly "Kékmadár Apartmanok Kft.") | GTC Hungary | Hungary | 50.1% | 50.1% |
| Albertfalva Kft. ("Gate Way") | GTC Hungary | Hungary | 100% | 100% |
| GTC Metro Kft (formerly "Jazmin Ingatlan Kft.") | GTC Hungary | Hungary | 100% | 100% |
| SASAD Resort Offices Kft | GTC Hungary | Hungary | 100% | - |
| Toborzó Széplak Kft. | GTC Hungary | Hungary | 100% | - |
| Mastix Champion Kft. | GTC Hungary | Hungary | 100% | - |
| GTC Renaissance Plaza Kft. | GTC Hungary | Hungary | 100% | - |
| SASAD II Kft. | GTC Hungary | Hungary | 50.1% | - |
| Amarantan Ltd. | GTC Hungary | Hungary | 100% | - |
| Abritus Kft. | GTC Hungary | Hungary | 100% | - |
| Preston Park Kft. | GTC Hungary | Hungary | 100% | 100% |
| GTC Real Estate Investments Ukraine B.V. ("GTC Ukraine") | GTC S.A. | Netherlands | 90% | 90% |
| GTC Real Estate Management Services Ukraine LLC | GTC Ukraine | Ukraine | 90% | 90% |
| GTC Real Estate Investments Moldova B.V. ("GTC Moldova") | GTC S.A. | Netherlands | 100% | 100% |
| GTC Real Estate Investments Slovakia B.V. ("GTC Slovakia") | GTC S.A. | Netherlands | 100% | 100% |
| GTC Real Estate Developments Bratislava B.V. ("GTC Bratislava") | GTC Slovakia | Netherlands | 70% | 70% |
| GTC Real Estate Management s.r.o. | GTC Slovakia | Slovakia | 100% | 100% |
| GTC Real Estate Park s.r.o. | GTC Bratislava | Slovakia | 70% | 70% |
| SPV Opus S.R.O | GTC Bratislava | Slovakia | 70% | - |
| GTC Real Estate Vinohrady s.r.o. ("GTC Vinohrady") | GTC Bratislava | Slovakia | 70% | - |
| GTC Real Estate Vinohrady 2 s.r.o. ("GTC Vinohrady 2") | GTC Bratislava | Slovakia | 70% | 70% |

* Proportionate consolidation.

** Share of GTC S.A includes, where applicable, share currently held by Alroy. The value of Alroy shares is presented as financial liability (see note 28).

*** All subsidiaries which were acquired during the year were not business combination (IFRS 3)

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5. Investment in Subsidiaries, Associates and Joint Ventures (continued)

| Name | Holding Company | Country of incorporation | 31 December 2007** | 31 December 2006 ** |
|---|-------------------------------------|-----------------------------|-----------------------|------------------------|
| GTC Real Estate Investments Croatia B.V. ("GTC Croatia") | GTC S.A. | Netherlands | 100% | 100% |
| GTC Nekretnine Zagreb d.o.o. ("GTC Zagreb") | GTC Croatia | Croatia | 100% | 100% |
| Euro Structor d.o.o. | GTC Croatia | Croatia | 70% | 70% |
| Marlera Golf LD d.o.o. | GTC Croatia | Croatia | 80% | 75% |
| GTC Center Point Ltd. | GTC Croatia | Croatia | 100% | - |
| Nova Istra Idaeus d.o.o. | Marlera Golf LD d.o.o. | Croatia | 80% | - |
| GTC Nekretnine Istok d.o.o. | GTC Croatia | Croatia | 100% | - |
| GTC Nekretnine Jug. d.o.o. | GTC Croatia | Croatia | 100% | - |
| GTC Nekretnine Zapad d.o.o. | GTC Croatia | Croatia | 100% | - |
| GTC Real Estate Investments Romania B.V. ("GTC Romania") | GTC S.A. | Netherlands | 100% | 100% |
| Towers International Property S.R.L. | GTC Romania | Romania | 100% | 100% |
| Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.") | GTC Romania | Romania | 100% | 100% |
| Green Dream S.R.L. | GTC Romania | Romania | 100% | 100% |
| Titulescu Investments B.V. ("Titulescu") | GTC Romania | Netherlands | 100% | 100% |
| Complexul Multifunctional Victoria S.R.L. | Titulescu Investments B.V. | Romania | - | 100% |
| Aurora Business Complex S.R.L. | GTC Romania | Romania | 50.1% | 100% |
| Yasmine Residential Complex S.R.L. | GTC Romania | Romania | 100% | 100% |
| Bucharest City Gate B.V. | GTC Romania | Netherlands | 58.9% | 58.9% |
| Mablethompe Investitii S.R.L. | GTC Romania | Romania | 100% | 100% |
| National Commercial Centers B.V. (*) | GTC Romania | Netherlands | 50% | 50% |
| Mercury Commercial Center S.R.L. (*) | National Commercial Centers B.V. | Romania | 75% | 50% |
| Venus Commercial Center S.R.L. | National Commercial Centers B.V. | Romania | 66.7% | 50.7% |
| Mars Commercial Center S.R.L. | National Commercial Centers B.V. | Romania | 50% | 50% |
| Beaufort Commercial Center S.R.L. | National Commercial Centers B.V. | Romania | 100% | 100% |
| Fajos S.R.L. | National Commercial Centers B.V. | Romania | 100% | - |
| City Gate S.R.L. | Bucharest City Gate B.V. | Romania | 100% | 100% |
| Brightpoint Investments Limited | GTC Romania | Romania | 50.1% | 100% |
| Complexul Residential Colentina S.R.L. | Brightpoint Investments Limited | Romania | 100% | 100% |
| Operetico Enterprises Ltd. | GTC Romania | Cyprus | 66.7% | - |
| Deco Intermed S.R.L. | Operetico Enterprises Ltd. | Romania | 100% | - |
| GML American Regency Pipera S.R.L. | GTC Romania | Romania | 66.7% | - |
| GTC Real Estate Investments Serbia B.V. ("GTC Serbia") | GTC S.A. | Netherlands | 100% | 100% |
| City Properties Serbia B.V. | GTC Serbia | Netherlands | 100% | - |
| GTC International Development d.o.o. | GTC Serbia | Serbia | 100% | 100% |
| GTC Business Park d.o.o. | GTC Serbia | Serbia | 100% | 100% |
| GTC Commercial and Residential Ventures d.o.o. | GTC Serbia | Serbia | 100% | 100% |
| GTC Real Estate Developments d.o.o. | GTC Serbia | Serbia | 100% | 100% |
| Atlas Centar d.o.o. | GTC Serbia | Serbia | 100% | 100% |
| GTC Commercial Development d.o.o. | GTC Serbia | Serbia | 100% | 100% |

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5. Investment in Subsidiaries, Associates and Joint Ventures (continued)

| | | | | |
|--|--------------|-------------|-------|------|
| GTC Real Estate Investments Bulgaria BV („GTC Bulgaria“) | GTC S.A. | Netherlands | 100% | 100% |
| Galeria Stara Zagora AD | GTC Bulgaria | Bulgaria | 75% | |
| Galeria Burgas JSC | GTC Bulgaria | Bulgaria | 66.7% | |
| GTC Galeria Varna EOOD | GTC Bulgaria | Bulgaria | 65% | - |
| Galeria Ikonomov GmbH | GTC Bulgaria | Bulgaria | 65% | - |
| GTC Yuzhen Park EAD (“GTC Yuzhen”) | GTC Bulgaria | Bulgaria | 100% | 100% |

* Proportionate consolidation.

** Share of GTC S.A includes, where applicable, share currently held by Alroy. The value of Alroy shares is presented as financial liability (see note 28).

*** All subsidiaries which were acquired during the year were not business combination (IFRS 3)

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 Holding S.A. (“CID”)
ND Holdings S.A (“ND”)

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

The Company holds 25% interest in the associate Demo Invest d.o.o.
In August 2007, the Company purchased 25% interest in the associate Demo Invest d.o.o. The completion of the acquisition of the remaining 75% is subject to certain business conditions precedent. The Company’s associate owns land and is involved in the real estate development in Serbia.

* Share of GTC S.A includes, where applicable, share currently held by Alroy. The value of Alroy shares is presented as financial liability (see note 28).

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6. Projects description

The Company develops and leases or sells space to commercial and individual tenants, through its direct and indirect investments in subsidiaries, associates and joint ventures.

Completed projects as of 31 December 2007:

| Country | Property | Total rentable/saleable space (sq.m) | Details |
|---------|-----------------------|--------------------------------------|--------------------------------------|
| Poland | Galeria Kazimierz (*) | 36,200 | Shopping centre in Krakow |
| | Galeria Mokotow (*) | 62,100 | Shopping centre in Warsaw |
| | Galileo | 10,300 | Office building in Krakow |
| | Edison | 10,424 | Office building in Krakow |
| | Newton | 10,400 | Office building in Krakow |
| | Globis Poznan | 13,000 | Office building in Poznan |
| | Topaz office building | 11,000 | Office building in Warsaw |
| | Nothus | 9,140 | Office building in Warsaw |
| | Platinum | 9,400 | Office building in Warsaw |
| Hungary | Centre Point I | 18,800 | Office building in Budapest |
| | Centre Point II | 23,000 | Office building in Budapest |
| Croatia | Avenue Mall | 33,500 | Shopping and office centre in Zagreb |
| Serbia | GTC House | 13,500 | Office building in Belgrad |
| | 19 Avenue | 17,400 | Office building in Belgrad |

(*) Operated through joint venture, represent the full sq.m in the project

6. Projects description (continued)

Building rights in projects that are in different stages of development, acquisitions or under acquisitions as at 31 December 2007 are described in the tables below:

| Country | Office (net rentable area in sq.m) | Shopping malls (net rentable area in sq. m) | Residential properties (net salable area in sq.m.) | Total GTC's stake (net rentable/salable area in sq.m.) |
|--------------------|------------------------------------|---|--|--|
| Bulgaria | 8,075 | 97,205 | 39,134 | 144,414 |
| Croatia | 52,106 | 43,310 | 17,211 | 112,627 |
| Czech | 54,527 | 12,484 | 76,735 | 143,746 |
| Hungary | 269,472 | 45,816 | 89,698 | 404,986 |
| Poland | 346,890 | 105,850 | 199,756 | 652,496 |
| Romania | 48,289 | 136,361 | 283,079 | 467,729 |
| Serbia | 79,552 | 25,589 | 16,182 | 121,323 |
| Slovakia | | | 51,468 | 51,468 |
| Grand Total | 858,911 | 466,615 | 773,263 | 2,098,789 |

Projects area in the above table represents GTC's stake.

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

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7. Events in the period

On 1 January 2007, the Company changed the functional currency in the financial statements from USD to Euro as further disclosed in Note 2 and 33.

On 4 January 2007 the chairman of the Supervisory Board, exercised 1,250,750 Subscription Warrants at a price of PLN 0.1, and 90,700 Subscription Warrants at a price of PLN 3.89. The remaining 146,500 Subscription Warrants expired and will not be exercised (see note 24).

In March 2007, Newton office building in Krakow was successfully completed. The value of Newton office building according to the independent appraiser report amounts to USD 34.1 million, and is included in these financial statements.

On 25 April 2007, GTC raised PLN 800 million bonds through offering (see note 23)

In June 2007 the subsidiary Euro Structor d.o.o has completed the construction of Avenue Mall in Zagreb. Avenue Mall was opened in August 2007. The value of Avenue Mall according to the independent appraiser report amounts to EUR 190.2 million, and is included in these financial statements (see appendix A).

On 28 September 2007, the Company sold 100% of the shares in S.C. Complexul Multifunctional Victoria SRL

The subsidiary is the owner of America House Building in Bucharest, Romania. The shares were sold at price of Euro 120 million, which reflects the value of the assets of the sold subsidiary.

In December 2007, Platinum 1 office building in Warsaw was successfully completed. The value of Platinum 1 office building according to the independent appraiser report amounts to Euro 35.7 million, and is included in these financial statements.

In December 2007, Nothus office building in Warsaw was successfully completed. The value of Nothus office building according to the independent appraiser report amounts to Euro 29 million, and is included in these financial statements.

In December 2007, Edison office building in Krakow was successfully completed. The value of Edison office building according to the independent appraiser report amounts to Euro 33 million, and is included in these financial statements.

In December 2007, 19 Avenue office building in Belgrade was successfully completed. The value of 19 Avenue office building according to the independent appraiser report amounts to Euro 54 million, and is included in these financial statements (see appendix A).

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8. Revenue from operations

Revenue from operations comprises the following:

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|---------------------|--------------------------------|--------------------------------|
| Rental revenue | 52,300 | 65,020 |
| Residential revenue | 21,308 | 15,863 |
| | 73,608 | 80,883 |

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 2007 amounts to approximately Euro 386 million and (Euro 407 million as of 31 December 2006), of which approximately 18% and (16%) is due within one year and 25% and (42%) 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 Euro.

9. Cost of operations

Costs of operations comprise the following:

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|-------------------|--------------------------------|--------------------------------|
| Rental costs | 11,153 | 18,935 |
| Residential costs | 12,508 | 13,160 |
| | 23,661 | 32,095 |

Majority of rental costs represents external services costs.

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10. Selling expenses

Selling expenses comprise the following:

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|------------------------------|--------------------------------|--------------------------------|
| Brokerage and similar fees | 345 | 640 |
| Advertising | 3,468 | 1,856 |
| Payroll and related expenses | 467 | 436 |
| | 4,280 | 2,932 |

11. Administration expenses

Administration expenses comprise the following:

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|---|--------------------------------|--------------------------------|
| Payroll, management fees and other expenses | 10,106 | 8,794 |
| Share based payments | 2,340 | 3,282 |
| Office expenses | 829 | 506 |
| Audit, legal and other advisers | 3,232 | 1,672 |
| Shopping centre management fee | 386 | 351 |
| Depreciation and amortisation | 298 | 257 |
| | 17,191 | 14,862 |

12. Other financial expenses, net

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

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|---|--------------------------------|--------------------------------|
| Interest and other expenses | | |
| - interest expenses | (24,060) | (18,039) |
| - amortisation of deferred financial costs | (330) | (615) |
| - change in fair value of financial instruments | 1,889 | 2,193 |
| | (22,501) | (16,461) |

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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 2007 and 31 December 2006 is presented below:

| | Poland | | Hungary | | Romania | | Serbia | | Croatia | | Consolidated | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 |
| Office and commercial income | 28,621 | 51,246 | 9,023 | 5,776 | 6,156 | 4,802 | 3,555 | 3,196 | 4,945 | - | 52,300 | 65,020 |
| Residential income | 17,265 | 2,247 | 4,043 | 13,616 | - | - | - | - | - | - | 21,308 | 15,863 |
| Total income | 45,886 | 53,493 | 13,066 | 19,392 | 6,156 | 4,802 | 3,555 | 3,196 | 4,945 | - | 73,608 | 80,883 |
| Office and commercial costs | 6,047 | 15,175 | 2,055 | 1,423 | 1,713 | 1,654 | 552 | 683 | 786 | - | 11,153 | 18,935 |
| Residential costs | 10,015 | 1,710 | 2,493 | 11,447 | - | - | - | - | - | - | 12,508 | 13,160 |
| Total costs | 16,062 | 16,885 | 4,548 | 12,870 | 1,713 | 1,654 | 552 | 683 | 786 | - | 23,661 | 32,095 |
| Office and commercial result | 22,574 | 36,071 | 6,968 | 4,353 | 4,443 | 3,148 | 3,003 | 2,513 | 4,159 | - | 41,147 | 46,082 |
| Residential result | 7,250 | 537 | 1,550 | 2,169 | - | - | - | - | - | - | 8,800 | 2,706 |
| Total result | 29,824 | 36,608 | 8,518 | 6,522 | 4,443 | 3,148 | 3,003 | 2,513 | 4,159 | - | 49,947 | 48,788 |
| Unallocated corporate expenses | - | - | - | - | - | - | - | - | - | - | (19,172) | (15,308) |
| Revaluation of investment property | 116,226 | 97,581 | 11,785 | 36,404 | 16,397 | 60,702 | 32,462 | 4,421 | 115,507 | - | 292,377 | 199,108 |
| Profit from continuing operations before tax and financial related income/(expenses) | - | - | - | - | - | - | - | - | - | - | 323,152 | 232,588 |
| Foreign currency translation gain (loss), net | - | - | - | - | - | - | - | - | - | - | (22,830) | 10,020 |
| Interest income | - | - | - | - | - | - | - | - | - | - | 15,882 | 5,876 |
| Other interest expense and similar charges, net | - | - | - | - | - | - | - | - | - | - | (22,501) | (16,461) |
| Profit on sale of subsidiaries | - | - | - | - | - | - | - | - | - | - | 732 | 1,332 |
| Share of profit/(loss) from associates | - | - | - | - | - | - | - | - | - | - | 4,709 | 4,224 |
| Taxation | - | - | - | - | - | - | - | - | - | - | (37,731) | (39,632) |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 261,413 | 197,947 |
| Minority interest | - | - | - | - | - | - | - | - | - | - | 27,003 | 2,876 |
| Equity holders of the parent | - | - | - | - | - | - | - | - | - | - | 234,410 | 195,071 |

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 2007 and 31 December 2006 is presented below:

| | Poland | | Hungary | | Romania | | Serbia | | Croatia | | Other | | Consolidated | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 | 31 December 2007 | 31 December 2006 |
| Segment assets | | | | | | | | | | | | | | |
| Allocated assets rental | 590,626 | 383,665 | 49,376 | 39,353 | 73,458 | 129,953 | 122,413 | 59,937 | 200,889 | 48,324 | 29,750 | - | 1,066,512 | 661,232 |
| Allocated assets residential | 28,288 | 26,754 | 201,050 | 139,434 | 106,727 | 42,367 | 19,332 | 17,828 | 5,968 | 2,160 | 26,828 | 14,418 | 388,193 | 242,961 |
| Unallocated corporate assets | 335,220 | 249,690 | 16,446 | 36,433 | 24,105 | 14,935 | 17,136 | 1,623 | 7,104 | 947 | 6,518 | 2,968 | 406,529 | 306,596 |
| Consolidated total assets | 954,134 | 660,109 | 266,872 | 215,220 | 204,290 | 187,255 | 158,881 | 79,388 | 213,961 | 51,431 | 63,096 | 17,386 | 1,861,234 | 1,210,789 |
| Segment liabilities | | | | | | | | | | | | | | |
| Allocated liabilities rental | 3,326 | 42,197 | 3,675 | 13,879 | 4,197 | 12,677 | 41,350 | 8,663 | 35,357 | 10,973 | 748 | - | 88,653 | 88,389 |
| Allocated liabilities residential | 8,991 | 3,897 | 20,589 | 21,508 | 34,201 | 10,558 | 1,864 | 9,584 | 202 | 630 | 4,901 | 2,107 | 70,748 | 48,284 |
| Unallocated corporate liabilities | 474,172 | 153,156 | 103,190 | 94,650 | 48,446 | 41,635 | 28,663 | 24,823 | 54,893 | 27,164 | 4,364 | 1,604 | 713,728 | 343,032 |
| Consolidated total liabilities | 486,489 | 199,250 | 127,454 | 130,037 | 86,844 | 64,870 | 71,877 | 43,070 | 90,452 | 38,767 | 10,013 | 3,711 | 873,129 | 479,705 |
| Capital expenditures | 99,374 | 36,094 | 18,423 | 7,918 | 29,308 | 22,332 | 19,632 | 14,254 | 36,444 | 22,238 | 6,103 | 246 | 209,284 | 103,082 |
| Depreciation of fixed asset | 102 | 102 | 70 | 63 | 21 | 28 | 42 | 44 | 35 | 14 | 28 | 6 | 298 | 257 |
| Non cash expenses other than depreciation | 330 | 614 | - | - | - | - | - | - | - | - | - | - | 330 | 614 |

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14. Taxation

The major components of tax expense are as follows:

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|-------------------------------|--------------------------------|--------------------------------|
| Current tax expense | 4,042 | 19,881 |
| Deferred tax (credit)/expense | 33,689 | 19,751 |
| | <hr/> 37,731 | <hr/> 39,632 |

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 2007 | Year ended 31 December 2006 |
|--|--------------------------------|--------------------------------|
| Accounting profit before tax | 299,144 | 237,579 |
| Accounting profit at the applicable tax rate in each country of activity | 54,432 | 43,889 |
| Tax effect of expenses/(income) that are not deductible in determining taxable profit | (9,946) | 817 |
| Share of profit in associates/profit from sale of shares | (68) | (841) |
| Tax effect of foreign currency differences | (6,630) | (4,983) |
| Change in tax rate | 242 | 1,128 |
| Other | 226 | - |
| Previous years tax | 150 | - |
| Unrecognised deferred tax asset (recognised asset which was not accounted for in the past) | (675) | (378) |
| Tax expense / (income) | 37,731 | 39,632 |

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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 2006 | Credit / (charge) to income statement | As of 31 December 2006 | Credit / (charge) to income statement | Foreign exchange differences | As of 31 December 2007 |
|---|-------------------------|--|---------------------------|--|---------------------------------|---------------------------|
| Financial instruments | 1,703 | (1,125) | 578 | 5,544 | | 6,122 |
| Tax loss carry forwards | 2,233 | 523 | 2,756 | 631 | | 3,387 |
| Basis differences in non-current assets | 5 | 588 | 593 | 74 | | 667 |
| Basis differences in inventory | 780 | 1,129 | 1,909 | (83) | | 1,826 |
| Other | (34) | (420) | (454) | 844 | | 390 |
| Total | 4,687 | 695 | 5,382 | 7,010 | | 12,392 |
| Valuation reserve | (1,978) | (378) | (2,356) | 675 | | (1,681) |
| Net deferred tax assets | 2,709 | 317 | 3,026 | 7,685 | | 10,711 |

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14. Taxation (continued)

Deferred tax liability comprises the following:

| | As of 1 January 2006 | Credit / (charge) to equity | Credit / (charge) to income statement | Foreign exchange differences | As of 31 December 2006 | Credit / (charge) to equity | Credit / (charge) to income statement | Foreign exchange differences | As of 31 December 2007 |
|---|-------------------------|-----------------------------------|--|------------------------------------|------------------------------|-----------------------------------|--|------------------------------------|------------------------------|
| Tax loss carry forwards | 2,036 | | (1,251) | | 785 | | 895 | | 1,680 |
| Other | (119) | | (159) | - | (278) | | 27 | | (251) |
| Financial instruments | (9,085) | (55) | 9,116 | (1,390) | (1,414) | (12) | 124 | (381) | (1,683) |
| Deferred taxation on revaluation | (20,303) | | (29,156) | (2,056) | (51,515) | | (42,474) | 2,418 | (91,571) |
| Basis differences in non-current assets | 8,774 | | (7,646) | - | 1,128 | | 2,508 | | 3,636 |
| Depreciation | (11,105) | | 8,214 | - | (2,891) | | (807) | | (3,698) |
| Contract margin recognition | | | | | | | (1,291) | | (1,291) |
| Basis differences in inventory | (145) | | 20 | (22) | (147) | | (356) | | (503) |
| Total | (29,947) | (55) | (20,862) | (3,468) | (54,332) | (12) | (41,374) | 2,037 | (93,681) |
| Valuation reserve | | | | | | | | | |
| Net deferred tax liability | (29,947) | (55) | (20,599) | (3,468) | (54,332) | (12) | (41,374) | 2,037 | (93,681) |

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14. Taxation (continued)

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

| Tax rate | Year ended 31 December 2007 | Year ended 31 December 2006 |
|-------------|-----------------------------|-----------------------------|
| Poland | 19% | 19% |
| Hungary | 20% | 16% |
| Ukraine | 25% | 25% |
| Bulgaria | 15% | 15% |
| Slovakia | 19% | 19% |
| Serbia | 10% | 10% |
| Croatia | 20% | 20% |
| Romania | 16% | 16% |
| Netherlands | 29.6% | 29.6% |

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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 Euro 33 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 2007 and 2006 available in the amount of Euro 32,811 and Euro 10,776 thousand. Tax losses can be utilized up to maximum 9 years, depending on tax jurisdiction.

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15. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2007 and 31 December 2006 was as follows:

| | Equipment | Vehicles | Construction in Progress (*) | Total |
|--|-----------|----------|---------------------------------|-----------|
| Cost | | | | |
| As at 1 January 2006 | 3,144 | 421 | 110,727 | 114,292 |
| Acquisition of subsidiaries | | | 18,469 | 18,469 |
| Additions / (transfers), net | 334 | 432 | 115,768 | 116,534 |
| Disposals | (2,416) | (86) | (1,745) | (4,247) |
| Transfers to other assets | | | (78,181) | (78,181) |
| Translation differences | 26 | 22 | 4,196 | 4,244 |
| As at 31 December 2006 | 1,088 | 789 | 169,234 | 171,111 |
| Accumulated Depreciation | | | | |
| As at 1 January 2006 | 460 | 88 | - | 548 |
| Charge for the period | 135 | 121 | | 256 |
| Disposals | | | | |
| Translation differences | 31 | 24 | | 55 |
| As at 31 December 2006 | 626 | 233 | - | 859 |
| Net book value as at 31 December 2006 | 462 | 556 | 169,234 | 170,252 |
| Cost | | | | |
| As at 1 January 2007 | 1,088 | 789 | 169,234 | 171,111 |
| Acquisition of subsidiaries | | | 56,591 | 56,591 |
| Additions, net | 318 | 269 | 216,993 | 217,580 |
| Disposals and other decreases | | (63) | | (63) |
| Transfers to investment property | | | (157,782) | (157,782) |
| Foreign exchange differences | | 15 | | 15 |
| As at 31 December 2007 | 1,406 | 1,010 | 285,036 | 287,452 |
| Accumulated Depreciation | | | | |
| As at 1 January 2007 | 626 | 233 | - | 859 |
| Charge for the period | 90 | 208 | | 298 |
| Transfers to other assets | | | | |
| Disposals | (13) | (49) | | (62) |
| Foreign exchange differences | | | | |
| As at 31 December 2007 | 703 | 392 | | 1,095 |
| Net book value as at 31 December 2007 | 703 | 618 | 285,036 | 286,357 |

(*) As of 31 December 2007 and 31 December 2006, construction in progress includes amounts of Euro 149,473 thousand (Euro 103,200 thousand in freehold remaining in leases) and Euro 102,170 (Euro 53,227 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 2006 | 3,072 |
| Year 2007 | 2,694 |

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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 2007 and 31 December 2006 was as follows:

| | |
|--|----------------|
| Fair value as of 1 January 2006 | 522,232 |
| Additions , including: | |
| - Acquisition of subsidiaries | |
| - Capitalised subsequent expenditure | 80,750 |
| - Goodwill | 3,954 |
| - Other expenses | |
| - Purchase of subsidiaries | 1,997 |
| - Brokers fees and other incentives | 4,268 |
| Adjustment to fair value | 199,108 |
| Disposals | (296,499) |
| Translation differences | 25,941 |
| Fair value as of 31 December 2006 | 541,751 |
| Additions , including: | |
| - Capitalised subsequent expenditure | 2,161 |
| -Transfers to investment property | 157,782 |
| - Goodwill | 935 |
| - Brokers fees and other incentives | 2,168 |
| Adjustment to fair value | 292,377 |
| Disposals (*) | (117,697) |
| Translation differences | (18,544) |
| Fair value as of 31 December 2007 | 860,933 |

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 2007:

Newton office building in Krakow.

19 Avenue office building inBelgrade.

Edison office building in Krakow.

Platinum 1 office building in Warsaw.

Nothus office building in Warsaw

Avenue Mall shopping centre in Zagreb

(*)America House office building was sold during the year ended 31 December 2007 for the amount of EUR 120.3 million less direct costs in the amount of EUR 2,6 million.

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17. Investment in associates

The investment in associates comprises the following:

| | 31 December 2007 | 31 December 2006 |
|--|------------------|------------------|
| Shares | 4,792 | 4,792 |
| Acquisition/establishment of new associate | 3,010 | |
| Translation differences | 988 | 436 |
| Equity profit | 3,709 | 5,735 |
| Investmmt in shares | 12,499 | 10,963 |
| Loans granted | 15,404 | 17,568 |
| Investment in associates | 27,903 | 28,531 |

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 2007 | 31 December 2006 |
|--------------------------|--------------------------------|--------------------------------|
| Assets | 44,923 | 51,006 |
| Liabilities | 40,697 | 43,191 |
| | Year ended 31 December 2007 | Year ended 31 December 2006 |
| Revenues from operations | 8,397 | 2,258 |
| Profit for the year | 4,709 | 4,224 |

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18. Accrued income

Accrued income consists of the following:

| | 31 December 2007 | 31 December 2006 |
|--------------------------------|------------------|------------------|
| Sale of residential units | 1,880 | 10,484 |
| Sale of subsidiary/fixed asset | - | 1,899 |
| Interest | 2,271 | - |
| Services interest and other | 1,107 | 607 |
| | <u>5,258</u> | <u>12,990</u> |

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19. Derivatives

As of 31 December 2007 and 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 | Fair value as of 31 December 2007 | Fair value as of 31 December 2006 |
|----------------|--|-----------|-----------------|--------------------------------------|------------------------------------|----------------------|-----------------------------------|-----------------------------------|
| Raffaisen Bank | Loan from EBRD (GTC Serbia) | 08-May-06 | 05-Aug-11 | Floating | Fixed 3.85% | Hedge accounting | 385 | 173 |
| MBK Bank | Loan from MBK (GTC Hungary) | Apr-06 | Jan-09 | Floating | Collar 3.41%-3.70% | Profit and Loss | 279 | 233 |
| | | Jan-09 | Jan-14 | Floating | Collar 3.77%-4.15% | Profit and Loss | 441 | 87 |
| | | Jan 08 | Oct 09 | Floating | Collar 4.03%-4.6% | Profit and Loss | 34 | - |
| | | Oct 09 | Oct 11 | Floating | Collar 3.89%-4.6% | Profit and Loss | 96 | - |
| Bank BPH | Bonds | Apr-07 | Apr-12 | Floating PLN | Fixed Euro 5.745% | Profit and Loss | 674 | - |
| | | Apr-07 | Apr-14 | Floating PLN | Fixed Euro 5.745% | Profit and Loss | 10,341 | - |
| EUROHYPO | Loan from EUROHYPO (GTC Topaz office) | Jan-06 | Dec-07 | Floating | Cap 3.5% | Hedge accounting | - | 60 |
| | | Jan-08 | Dec-11 | | Collar 3.2%-4.1% | Profit and Loss | 137 | 81 |
| Aareal bank | Loan from Aareal (GTC Galeria Kazimierz) | Apr-05 | Mar-07 | Floating | Fixed 3.32% | Hedge accounting | - | 31 |
| | | Apr-07 | Mar-11 | | Collar 3.25%-5.5% | Profit and Loss | (19) | (50) |
| | | May-06 | May-11 | | Fixed 3.92% | Hedge accounting | 81 | 38 |
| Total | | | | | | | 12,449 | 653 |

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20. Short-term deposits

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

21. Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

22. Credit line

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

In March 2006 GTC Business Park (Serbia) 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 is developed. As of 31 December 2007 the outstanding amount was Euro 1,537 thousand.

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23. Long-term loans

Long-term loans comprise the following:

| | 31 December 2007 | 31 December 2006 |
|--|-----------------------------|-----------------------------|
| Bonds (note 18) | 223,339 | - |
| Loan from Aareal Bank (Rodamco CH1) | 34,394 | 40,399 |
| Loan from Aareal Bank (GTC Galeria Kazimierz) | 34,963 | 36,534 |
| Loan from WBK (Globis Poznan) | 8,460 | 8,967 |
| Loan from WBK 1 (Galileo) | 6,877 | 8,195 |
| Loan from WBK 2 (Newton) | 10,876 | 3,958 |
| Loan from WBK 3 (Edison) | 7,647 | - |
| Loan from EUROHYPO (GTC Topaz office) | 14,190 | 14,715 |
| Loan from BPH Bank (Globis Wroclaw) | 12,861 | - |
| Loan from ING (Aeropark) | 6,866 | |
| Loan from ING (Platinum 1) | 10,290 | |
| Loan from Eurohypo (Nefryt) | 4,801 | |
| Loan from MKB (Centre Point I) | 29,651 | 30,710 |
| Loan from MKB (Centre Point II) | 35,267 | 36,901 |
| Loan from MKB (Riverloft) | 4,084 | 15,063 |
| Loan from MKB (Spiral) | 10,455 | 6,422 |
| Loan from MKB (Sasad Resort) | 13,510 | - |
| Loans from GTC Real Estate | - | 1,853 |
| Loan from EBRD and Raiffeisen Bank (GTC House) | 21,109 | 22,199 |
| Loan from EBRD and Raiffeisen Bank (America house) | | 23,918 |
| Loan from EBRD and Raiffeisen Bank (Green Dream) | 6,702 | 7,076 |
| Loan from MKB and Zagrabecka Banka (Avenue Mall) | 56,692 | 17,502 |
| Loans from minorities in subsidiaries | 57,799 | 34,616 |
| Deferred issuance debt expenses | (1,941) | (2,469) |
| | 608,892 | 306,559 |

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23. Long-term loans (continued)

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

| | 31 December 2007 | 31 December 2006 |
|--|---------------------|---------------------|
| Long term portion of long term loans: | | |
| Bonds | 223,339 | - |
| Loan from Aareal Bank (Rodamco CH1) | 32,594 | 38,539 |
| Loan from Aareal Bank (GTC Galeria Kazimierz) | 33,391 | 34,963 |
| Loan from WBK (Globis Poznan) | 7,953 | 8,460 |
| Loan from WBK 1 (Galileo) | 6,462 | 7,732 |
| Loan from WBK 2 (Newton) | 10,695 | 3,958 |
| Loan from WBK 3 (Edison) | 7,647 | - |
| Loan from EUROHYPO (GTC Topaz office) | 13,620 | 14,190 |
| Loan from BPH Bank (Globis Wroclaw) | 12,861 | - |
| Loan from ING (Aeropark) | 6,866 | |
| Loan from ING (Platinum 1) | 10,290 | |
| Loan from Eurohypo (Nefryt) | 4,801 | |
| Loan from MKB (Centre Point I) | 28,551 | 29,659 |
| Loan from MKB (Centre Point II) | 33,641 | 35,275 |
| Loan from MKB (Riverloft) | | |
| Loan from MKB (Sasad Resort) | 13,510 | - |
| Loan from MKB (Spiral) | 6,267 | - |
| Loans from GTC Real Estate | | 1,853 |
| Loan from EBRD and Raiffeisen Bank (GTC House) | 19,929 | 21,115 |
| Loan from EBRD and Raiffeisen Bank (America house) | | 22,614 |
| Loan from MKB and Zagrzebicka Banka (Avenue Mall) | 51,250 | 13,025 |
| Loan from EBRD and Raiffeisen Bank (Green Dream) | - | 7,076 |
| Loans from minorities in subsidiaries | 56,756 | 22,497 |
| Deferred issuance debt expenses | (1,941) | (2,457) |
| | 578,482 | 258,499 |

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23. Long-term loans (continued)

| | 31 December 2007 | 31 December 2006 |
|--|-----------------------------|-----------------------------|
| Current portion of long term loans: | | |
| Loan from Aareal Bank (Rodamco CH1) | 1,800 | 1,860 |
| Loan from Aareal Bank (GTC Galeria Kazimierz) | 1,572 | 1,571 |
| Loan from WBK (Globis Poznan) | 507 | 507 |
| Loan from WBK 1 (Galileo) | 415 | 463 |
| Loan from WBK 2 (Newton) | 181 | - |
| Loan from EUROHYPO (GTC Topaz office) | 570 | 525 |
| Loan from MKB (Centre Point I) | 1,100 | 1,051 |
| Loan from MKB (Centre Point II) | 1,626 | 1,626 |
| Loan from MKB (Sasad Resort) | | - |
| Loan from MKB (Riverloft) | 4,084 | 15,063 |
| Loan from MKB (Spiral) | 4,188 | 6,422 |
| Loan from EBRD and Raiffeisen Bank (GTC House) | 1,180 | 1,084 |
| Loan from EBRD and Raiffeisen Bank (America house) | | 1,304 |
| Loan from MKB and Zagrabecka Banka (Avenue Mall) | 5,442 | 4,477 |
| Loan from EBRD and Raiffeisen Bank (Green Dream) | 6,702 | - |
| Loans from minorities in subsidiaries | 1,043 | 12,119 |
| Deferred issuance debt expenses | | (12) |
| | 30,410 | 48,060 |

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23. Long-term loans (continued)

The table below presents information and terms of the long term loans as at 31 December 2007:

| | Total available amount | | Tranches | Repayments | Expiration date | Interest rate fixed/floating | Interest rate | Securities |
|--|------------------------|-----------------|----------|---|-----------------|--------------------------------|----------------|------------|
| Loan from ING (Aeropark) | Euro million | 13.5 | | 9 months after conversion | Dec-18 | Floating | Euribor +1.0% | (**) |
| Loan from ING (Platinum 1) | Euro million | 13.5 | | 9 months after conversion | Dec-18 | Floating | Euribor +1.05% | (**) |
| Loan from WBK 1 (GTC Korona) | USD million | - | | 48 quarterly installments starting from Nov. 2004 | Nov-16 | Floating | LIBOR+1.12% | (**) |
| Loan from WBK 2 (Newton) | \$16 million | | | 12 months after conversion | 11 years | Floating | Libor +1.12% | (**) |
| Loan from WBK 3 (Edison) | Eur 13 million | | | 9 months after conversion | 10 years | Floating | Euribor +1.12% | (**) |
| Loan from WBK (Globis Poznan) | Euro 10 million | - | | 48 quarterly installments starting from Nov. 2004 | Nov-16 | Floating | EURIBOR+1.12% | (**) |
| Loan from Eurohypo (Nefryt) | Euro million | 24 | | 9 months after conversion | Feb-19 | Floating | LIBOR+1.25% | (**) |
| Loan from EUROHYPO (Topaz office) | Euro 15 million | - | | Monthly installments starting from January 2006 | Dec-14 | Floating | EURIBOR+1.3% | (**) |
| Loan from WBK (Globis Wroclaw) | Euro 22 million | - | | 120 monthly repayments | | Floating | LIBOR+1.5% | (**) |
| Loans from Aareal Bank (GTC Galeria Kazimierz) (***) | Euro 78 million | Euro 55 million | | Monthly installments starting from Mar-2005 | Mar-15 | Floating After omlention-fixed | EURIBOR +1.6% | (**) |
| | | Euro 13 million | | Semi annual based on excess cash flow, starting from Mar-2005 | Mar-15 | Floating | EURIBOR+1.6% | (**) |

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23. Long-term loans (continued)

| | Total available Amount | Tranches | Repayments | Expiration date | Interest rate fixed/floating | Interest rate | Securities |
|---|------------------------|-------------------|--|-----------------|------------------------------|---------------------|------------|
| Loans from Aareal Bank (Rodamco CH1) | USD 130.8 million | USD 90 million | Monthly installments | Dec-15 | Fixed | LIBOR+1,75% | (**) |
| (***) | | USD 10 million | Semi annual , based on excess cash flow | Dec-2015 | Floating | LIBOR+1,75% | (**) |
| | | USD 23 million | Monthly installments | Dec-2015 | Fixed | LIBOR+1,75% | (**) |
| | | 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 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 EBRD (America House) | Euro 27.12 million | - | Starting from August 2006 | 2018 | Floating | EURIBOR 2%-4.5% | (**) |
| Loan from Bank Austria Creditanstalt AG and HVB Bank Romania S.A. | | Euro 80 million | Quartely repayments, no later than July 31, 2008 | 15 years | Floating | Euribor + 3%-3.1% | |
| (petricani) | Refinance | Euro 100 million | | | Floating | Euribor + 2.4%-2.5% | |
| 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% | |

(*) 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 value of the assets pledged as security is higher than the value of the related loans.

The average effective interest rate (including hedges) on the Group's loans during the Year ended 31 December 2007 was 5.9% (6.0 % in year 2006).

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24. Capital and Reserves

As at 31 December 2007 the share capital is divided into shares as follows:

| Number of Shares | Share series | Total value In PLN | Total value in Euro |
|---------------------|-----------------|--------------------------|---------------------------|
| 139,286,210 | A | 13,928,621 | 3,153,995 |
| 1,152,240 | B | 115,224 | 20,253 |
| 235,440 | B1 | 23,544 | 4,443 |
| 8,356,540 | C | 835,654 | 139,648 |
| 9,961,620 | D | 996,162 | 187,998 |
| 39,689,150 | E | 3,968,915 | 749,022 |
| 3,571,790 | F | 357,179 | 86,949 |
| 17,120,000 | G | 1,712,000 | 398,742 |
| 219,372,990 | | 21,937,299 | 4,741,050 |

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 2007 | 31 December 2006 |
|--|-----------------------------|-----------------------------|
| Number of shares as at the beginning of the year | 218,031,540 | 199,648,410 |
| Issuance of shares (series G) | - | 17,120,000 |
| Issuance of shares (series F) | 1,341,450 | 1,263,130 |
| Number of shares as at the end of the period | 219,372,990 | 218,031,540 |

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24. Capital and Reserves (continued)

The major shareholder of the Company as of 31 December 2007 was GTC Real Estate N.V. with total number of shares held 101,193,780 which constitute 46.1% of total shares.

Other shareholders who as of 31 December 2007 held above 5% of the Company shares were as follows:

- ING Nationale Nederlanden
- Commercial Union OFE BPH CU WBK

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.

The total shares based payment expenses in the year ended 31 December 2007 and 2006 were Euro 2,340 thousand and Euro 3,319 thousand respectively. Those expenses are included within the Administration expenses.

On 26 March 2007, the Company held an ordinary shareholders meeting. The ordinary shareholder meeting decided that the profit for the year 2006 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with Polish Accounting Standards shall be retained as retained earnings.

Certain key management personnel are entitled to participate, under certain conditions, in a total of 2,000,000 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 |

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24. Capital and Reserves (continued)

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 of the exercise notice, and PLN 22.5

per share (adjustable for dividend). The Company at its discretion may settle it in form of cash.

The settlement of the phantom shares (cash or equity) is the decision of the supervisory board of the Company. As of 31 December 2007, there was no decision regarding the above. As at the granting date the average fair value of share options amounts to Euro 2.0 per option.

Phantom shares expenses have been provided for assuming equity payments will be effected.

In 2007 the key management personnel were granted total of 500,000 phantom shares, according to the plan.

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 2006 | 502,230 | 1,487,950 | 2,000,000 |
| Number of options/shares granted in the year (subject to vesting period) | | - | - |
| Number of options exercised in the period | (397,230) | (1,341,450) | - |
| Number of options expired in the year | | (146,500) | |
| Number of options/shares vested as of 31 December 2007 | 105,000 | - | 2,000,000 |

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

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25. Earnings per share

Basic and diluted earnings per share were calculated as follows:

| | <u>Year ended 31 December</u> | |
|--|-------------------------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| Net profit after tax (EURO) attributable to equity holders | 234,410,000 | 195,071,000 |
| Weighted average number of shares for calculating basic earnings per share (*) | 219,358,249 | 213,865,109 |
| Basic earnings per share (EURO) | 1.069 | 0.91 |
| Weighted average number of shares for calculating diluted earnings per share (*) | 220,419,380 | 215,265,102 |
| Diluted earnings per share (EURO) | 1.063 | 0.91 |

| | <u>Year ended 31 December</u> | |
|--|-------------------------------|-------------|
| | <u>2007</u> | <u>2006</u> |
| Weighted average number of shares for calculating basic earnings per share | 219,358,249 | 213,865,109 |
| Adjustment for phantom shares | 1,061,131 | 1,399,993 |
| Weighted average number of shares for calculating diluted earnings per share | 220,419,380 | 215,265,102 |

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26. Loans granted

The balance of Euro 10,203 thousand represents loans granted by GTC to the chairman of the supervisory Board or AYRAD, a company controlled by him (together "AYRAD"). They are usually nominated in Euro or USD and carry in interest rate of LIBOR/Euribor +3%, AYRAD is required to lend this amount to subsidiaries at the same rate.

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

The maximum exposure to credit risk as of the balance sheet date, without taking into account collateral is the full amount presented.

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27. Proportionate consolidation

The Company proportionally consolidated assets and liabilities of Rodamco CH1 , GTC Galeria Kazimierz, National Commercial Centers B.V. , Mercury Commercial Center S.R.L and Venus Commercial Center S.R.L.

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

| | 31 December 2007 | 31 December 2006 |
|-----------------------------------|-------------------------|-------------------------|
| Cash | 8,202 | 8,128 |
| Non current assets | 269,618 | 213,955 |
| Current assets (other than cash) | 3,549 | 5,865 |
| Long term liabilities | (124,212) | (102,151) |
| Current liabilities | (7,393) | (6,205) |
| Net assets | 149,764 | 119,592 |
| Income | 66,893 | 65,828 |
| Expenses | (19,579) | (21,695) |
| Profit for the period/year | 47,314 | 44,133 |

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28. 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 engagement with such subsidiary or with GTC. Expiry date of the put option is within 24 months following the termination of AYRAD agreement with the Company or a particular subsidiary, 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 agreement at its estimated fair value. The minority interests related to the Put Option was reclassified to a financial liability and the difference between the estimated 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 as of 31 December 2007 and 31 December 2006 has been determined by an independent valuer and is presented as financial liability.

The main estimates used in determining the fair value of the financial liability 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.

As of the Balance Sheet date, there appeared to be a difference of opinions between AYRAD and the Company as of the amount of the financial liability related to the Put Option and included in the financials statements. AYRAD is of the opinion that the amount is substantially higher than the amount included in the financials statements. The Company's management is of the opinion that the financial liability as determined by the independent valuer and included in the financial statements is adequately presenting the financial liability related to the Put Option. In case such dispute will exist upon exercising the Put Option (within 24 months following the termination of AYRAD agreement with the Company) the Put Option agreement stipulates that attorneys appointed by the parties will appoint an independent appraiser from the big four accounting firms in order to determine the fair value of the Put Options. The appraiser's decision shall be final and binding.

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29. Related party transactions

Service and consultancy fees relate to management services provided by GTC Real Estate, Kardan Real Estate, and AYRAD for the benefit of the Group companies.

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

The transactions and balances with related parties are presented below:

| | Year ended 31 December 2007 | Year ended 31 December 2006 |
|--|--------------------------------|--------------------------------|
| Transaction | | |
| Service and consultancy fees from parent/ultimate parent | 324 | 186 |
| Consultancy fees relating to interest in Galeria Mokotow | 386 | 351 |
| Management fees income from associates | (120) | (120) |
| Balances | | |
| Loans from GTC Real Estate | - | (1,853) |
| Loans from minorities in subsidiaries | (10,203) | (7,718) |
| loans granted to AYRAD | 10,203 | 7,718 |
| loans granted to management board members | 164 | 116 |
| Accruals | 2,160 | 3,059 |
| Payables | (174) | (87) |

Management and Supervisory Board remuneration for the year ended 31 December 2007, amounted to Euro 3,613 thousand, 105,000 shares at an average price of PLN 0.1, and 500,000 phantom shares. Management and Supervisory Board remuneration for the year ended 31 December 2006, amounted to Euro 4,736 thousand, 1,445,450 shares at an average price of PLN 0.34, and 500,000 phantom shares.

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29. Related party transactions (continued)

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 26).

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.

30. Goodwill

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

| | 31 December 2007 | 31 December 2006 |
|-------------|------------------|------------------|
| GTC Hungary | 2,686 | 2,686 |
| GTC Croatia | - | 935 |
| GTC Romania | 5,297 | 5,297 |
| | <u>7,983</u> | <u>8,918</u> |

The decrease of goodwill in the year ended 31 December 2007 related to the completion of Avenue Mall which was revalued to fair value at the completion date.

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31. Commitments and Guarantees

As of 31 December 2007 and 31 December 2006, the Group had commitments contracted for in relation to future building construction, amounting to Euro 256 million (not audited) and Euro 222 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 2007 and 31 December 2006, the GTC gave guarantees to third parties in relation to secure cost overrun and loans of its subsidiaries. The guarantees granted amounted to Euro 43 million and Euro 62 million .

32. Financial instruments and risk management

The Group's principal financial instruments comprise bank and shareholders' loans, hedging instruments, trade payables and other long-term financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, loans granted, derivatives and cash and short-term deposits.

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

Interest rate risk

The Group exposure to changes in interest rates which are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted.

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.

The vast majority of the Company's loans are nominated or swapped into Euro.

The table below presents the sensitivity of profit (loss) before tax due to change in Euribor:

| | 31 December 2007 | 31 December 2006 |
|------------------------------|-------------------------|-------------------------|
| 5% increase in Euribor rate | (775) | (285) |
| 5% decrease in Euribor rate | 775 | 285 |
| 10% increase in Euribor rate | (1.550) | (570) |
| 10% decrease in Euribor rate | 1.550 | 570 |

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32. Financial instruments and risk management (continued)

Foreign currency risk

The group enters into transactions in currencies other than the Group's functional currency. Therefore it hedges the currency risk by either matching the currency of the income with that of the expenditures or obtaining an appropriate currency hedge instruments.

The table below presents the sensitivity of profit (loss) before tax due to change in foreign exchange:

| | <u>2007</u> | | | | <u>2006</u> | | | |
|---------------------------|-----------------|------------|------------|-------------|-----------------|------------|------------|-------------|
| | <u>USD/Euro</u> | | | | <u>USD/Euro</u> | | | |
| | <u>+10%</u> | <u>+5%</u> | <u>-5%</u> | <u>-10%</u> | <u>+10%</u> | <u>+5%</u> | <u>-5%</u> | <u>-10%</u> |
| Cash and cash equivalents | 10,810 | 5,405 | (5,405) | (10,810) | 22,342 | 11,171 | (11,171) | (22,342) |
| Short term deposit | (107) | 54 | (54) | (107) | 155 | 78 | (78) | (155) |

| | <u>2007</u> | | | | <u>2006</u> | | | |
|-----------------------------|-----------------|------------|------------|-------------|-----------------|------------|------------|-------------|
| | <u>PLN/Euro</u> | | | | <u>PLN/Euro</u> | | | |
| | <u>+10%</u> | <u>+5%</u> | <u>-5%</u> | <u>-10%</u> | <u>+10%</u> | <u>+5%</u> | <u>-5%</u> | <u>-10%</u> |
| Cash and cash equivalents | 2,883 | 1,442 | (1,442) | (2,883) | 1,597 | 798 | (798) | (1,597) |
| Trade and other receivables | 2,298 | 1,149 | (1,149) | (3,529) | 1,000 | 500 | (500) | (1,000) |
| Trade and other payables | (3,147) | (1,574) | 1,574 | 3,147 | (3,980) | (1,990) | 1,990 | 3,980 |
| Long term loans | (22,333) | (11,167) | 11,167 | 22,333 | - | - | - | - |

Exposure to other currencies and other positions in balance sheet are not material.

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32. Financial instruments and risk management (continued)

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.

The maximum exposure to credit risk as of the balance sheet date, without taking into account collateral is the full amount presented. The Company cooperates with reputable banks.

There are no significant financial assets as of the reporting dates, which are over due and not impaired. There are no significant financial assets impaired.

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 3.67, 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 47%, which reflects depleted liquidity risk.

Repayments of long-term debt are scheduled as follows:

| | 31 December 2007 | 31 December 2006 |
|------------------------|-----------------------------|-----------------------------|
| | €'000 | €'000 |
| First year | 30,410 | 48,060 |
| Second year | 21,925 | 19,391 |
| Third year | 16,677 | 17,264 |
| Fourth year | 16,796 | 13,823 |
| Fifth year | 38,976 | 24,996 |
| Thereafter | 415,782 | 181,356 |
| Not yet determined | 70,267 | 4,138 |
| | <hr/> | <hr/> |
| | 610,833 | 309,028 |
| Debt issuance expenses | (1,941) | (2,469) |
| | <hr/> | <hr/> |
| | 608,892 | 306,559 |

The Group's policy is to keep the gearing ratio between 30% and 60%, and to invest temporary cash surpluses in short term bank deposits.

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32. Financial instruments and risk management (continued)

Fair Value

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. Euro 1.6 million as of 31 December 2007 (Euro 1.0 million as of 31 December 2006).

Fair value of other financial assets and liabilities approximates their book value presented in these financial statements.

Market risk

The Group operates in the real estate development industry in several countries in CEE. The group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Company's results.

Capital management

The primary objective of the Group's capital management is to ensure capital preservation and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment of loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is Long Term Debt divided by Total Assets. The Group's policy is to keep the gearing ratio between 30% and 60%.

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33. Change in the functional currency and the presentation currency

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

The Company applied the translation procedures applicable to the new functional currency prospectively from 1 January 2007. All assets and liabilities were translated using the exchange rate at the date of the change. The resulting translated amounts for non monetary items are treated as their historic cost.

For comparative figures, presentation currency has changed. The comparable results and financial position of the company was translated from USD into Euro using the following procedures:

1. Assets and liabilities for each balance sheet presented were translated at the closing rate at the date of that balance sheet.
2. Income and expenses for each income statements were translated at exchange rates at the dates of the transactions. Equity components other than income for the period were translated using historic rates.
3. All resulting exchange differences were recognised as a separate component in equity.

For practical reasons, a rate that approximates the exchange rates at the dates of the transactions, like an average rate, was often used to translate income and expenses items. The functional currency change was not performed consistently within the Group.

34. Subsequent events

There were no significant subsequent events.

35. Other

The financial statements were authorised for issue by the Management Board on 27 February 2008.

Globe Trade Centre S.A.
Appendix A to the Consolidated Financial Statements
for year ended 31 December 2007
(in thousand of Euro)

An Extract of the Valuation Certificate and Assumptions

| | |
|--|---|
| REPORT DATE | 30 September 2007. |
| THE PROPERTY | Avenue Mall, Zagreb, CROATIA. |
| PROPERTY DESCRIPTION | Predominantly Shopping Centre with an element of office space. |
| INSTRUCTION | To value on the basis of Market Value the Freehold interest in the Property as at the Valuation Date. |
| VALUATION DATE | 28 September 2007 |
| CAPACITY OF VALUER | Independent. The Valuer has no personal interest in GTC S.A. or any of its subsidiaries. The valuation fee is not tied to the result of the valuation. |
| PURPOSE OF VALUATION | For inclusion in the financial statements of the company. |
| MARKET VALUE | We are of the opinion that the Market Value of the freehold interest in the Property as at 28 th September 2007 is as follows: €190,170,000 (ONE HUNDRED AND NINETY MILLION, ONE HUNDRED AND SEVENTY THOUSAND EUROS) exclusive of VAT. Our value is net of purchaser's costs. Our opinion of Market Value reflect the following yield profile: True equivalent yield 6.75% Initial yield 5.86% Reversionary yield 6.11% |
| COMPLIANCE WITH VALUATION STANDARDS | The valuation has been prepared in accordance with the RICS Appraisal and Valuation Manual. |
| ASSUMPTIONS | We have made various assumptions as to tenure, letting, town planning; and the condition and repair of buildings and site – including ground and groundwater. |
| VARIATION FROM STANDARD ASSUMPTIONS | None. |

VLATKO DUBRAVICA
MANAGING PARTNER
ARN WILLEMS MBA
PARTNER

For and on behalf of
CB Richard Ellis d.o.o.

Globe Trade Centre S.A.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2007
(in thousand of Euro)

An Extract of the Valuation Certificate and Assumptions

| | |
|---------------------------------------|--|
| REPORT DATE | 30 September 2007. |
| THE PROPERTY | Galeria Mokotow, Warsaw, Poland |
| PROPERTY DESCRIPTION | Shopping Centre |
| INSTRUCTION | Our Valuation has been prepared in accordance with the Practice Statements of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on the basis of Market Value. |
| VALUATION DATE | 30 September 2007 |
| CONFLICT OF INTEREST STATEMENT | We confirm that any relationships between Jones Lang LaSalle Sp. z o.o. and Rodamco CH1 Sp. z o.o. and its staff have no affect on our independence and objectivity. Moreover, we confirm that our firm is independent from Rodamco CH1 Sp. z o.o. and its subsidiaries and affiliates. We hereby certify that we have no present or contemplated future interest in the real estate |
| PURPOSE OF VALUATION | For inclusion in the financial statements of the company. |
| MARKET VALUE | Having regard to the foregoing, we are of the opinion that the estimated Gross Market Value of the Right of Freehold of the Galeria Mokotów shopping centre and Perpetual Usufruct of the subject land, as at 30th September 2007 is:- Net Market Value \$466,340,000 Our value is net of purchaser's costs. Our opinion of Market Value reflect the following yield profile: Discount Rate: 7.75% Initial Yield: 5.25% |
| ASSUMPTIONS | We have made various assumptions as to tenure, letting, and the condition and repair of buildings and site |

Małgorzata Żółtowska, MRICS
National Director
Jones Lang LaSalle Sp. z o.o.

Globe Trade Centre S.A.
Appendix A to the Consolidated Financial Statements
for year ended 31 December 2007
(in thousand of Euro)

An Extract of the Valuation Certificate and Assumptions

| | |
|-----------------------------|---|
| REPORT DATE | 26 February 2008. |
| THE PROPERTY | 19 Avenue, Belgrade, Serbia |
| PROPERTY DESCRIPTION | Office building |
| INSTRUCTION | The purpose of the valuation was to define the "Market Value" of the subject property. |
| VALUATION DATE | 31 December 2007. |
| PURPOSE OF VALUATION | The purpose of the valuation was to define the "Market Value" of the subject property. You have informed us that this valuation is required for financial year end reporting purposes. |
| MARKET VALUE | <p>This report has been prepared by a Chartered Surveyor qualified to give valuation advice on this type of property and in this locality. This valuation has been made in accordance with the Valuation and Appraisal Standards (the Standards) published by the Royal Institution of Chartered Surveyors (RICS)</p> <p>Market Value € 54,000,000 as at 31st December 2007</p> |
| ASSUMPTIONS | <p>Discount Rate: 8% Initial Yield: 8.2% Final yield 7.4%</p> <p>Where special assumptions are necessary in order to adequately provide the Client with the valuation required, these will be agreed and confirmed in writing between the Client and KS prior to the Report being issued. KS will only make special assumptions if these can reasonably be regarded as realistic, relevant and valid, in connection with the particular circumstances of the Valuation.</p> |

Mr. James Kinnell
BSc MPhil, MRICS
General Manager
King Sturge