GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008
WITH THE INDEPENDENT AUDITOR'S OPINION

Globe Trade Centre S.A.
Consolidated Balance Sheet
as of 31 December 2008
(in thousands of Euro)

	Note	31 December 2008	31 December 2007
ASSETS			
Non current assets			
Investment property	15	1,827,789	860,933
Other fixed asset	14	1,350	286,357
Investment in associates	17	44,869	27,903
Loans granted	26	52,292	20,260
Deferred tax asset	13	3,229	10,711
Long term receivables		-	1,819
Advances to contractors		-	1,283
Derivatives	18	-	466
Goodwill	30	1,343	7,983
Other non-current assets		559	2,080
		1,931,431	**1,219,795**
Current Assets			
Inventory	16	322,012	212,933
Advances to contractors		26,915	15,595
Debtors		3,094	2,589
Accrued income		3,257	5,258
Derivatives	18	-	11,983
VAT and other tax recoverable		38,243	26,308
Income tax recoverable		2,355	2,358
Prepayments, deferred expenses		3,631	5,028
Short-term deposits	20	26,704	13,757
Cash and cash equivalents	21	200,762	345,630
		626,973	**641,439**
TOTAL ASSETS		**2,558,404**	**1,861,234**

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

Globe Trade Centre S.A.
Consolidated Balance Sheet
as of 31 December 2008
(in thousands of Euro)

	Note	31 December 2008	31 December 2007
EQUITY AND LIABILITIES			
Capital attributable to equity holders of the parent			
Share capital	24	4,741	4,741
Share premium		214,280	214,280
Capital reserve		13,056	11,483
Hedge reserve		(32,547)	412
Foreign currency translation		4,537	(1,867)
Accumulated profit		894,866	729,622
		1,098,933	**958,671**
Minority Interest		56,990	29,434
Total Equity		**1,155,923**	**988,105**
Long-term Liabilities			
Long-term portion of long-term loans	23	926,110	578,482
Deposits from tenants		3,055	1,981
Long term payable	22	8,938	4,378
Derivatives	18	67,856	-
Financial liability	28	400	19,155
Provision for deferred tax liability	13	154,429	93,681
		1,160,788	**697,677**
Current Liabilities			
Trade and other payables	19	66,416	39,827
Current portion of long-term loans	23	50,681	30,410
Financial liability	28	17,200	-
Credit line		-	1,537
Current portion of long term payable	22	3,625	1,168
VAT and other taxes payable		3,163	837
Income tax payable		870	706
Derivatives	18	5,163	-
Accruals	19	43,216	40,782
Advances received		51,359	60,185
		241,693	**175,452**
TOTAL EQUITY AND LIABILITIES		**2,558,404**	**1,861,234**

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 2008
(in thousands of Euro)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Revenues from operations	7,12	114,539	73,608
Costs of operations	8,12	(51,878)	(23,661)
Gross margin from operations		**62,661**	**49,947**
Selling expenses	9	(4,325)	(4,280)
Administration expenses	10	(18,096)	(17,191)
Profit from revaluation of investment property	15,12	235,620	292,377
Other income	33	8,011	2,299
Profit from continuing operations before tax and financial related income / (expense)		**283,871**	**323,152**
Foreign exchange differences loss, net		(9,546)	(22,830)
Interest income		12,794	15,882
Other financial expenses, net	11	(18,167)	(22,501)
Profit on sale of subsidiaries		-	732
Share of profit/ (losses) from associates	17	(1,041)	4,709
Profit before taxation		**267,911**	**299,144**
Taxation	13	(78,813)	(37,731)
Profit for the year		**189,098**	**261,413**
Attributable to:			
Equity holders		165,244	234,410
Minority interest		23,854	27,003
Basic earnings per share (Euro)	25	0.75	1.07
Diluted earnings per share (Euro)	25	0.75	1.06

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

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2008
(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 2007	**4,706**	**214,190**	**9,143**	**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**	**214,280**	**11,483**	**412**	**(1,867)**	**729,622**	**958,671**	**29,434**	**988,105**
Hedge transactions	-	-	-	(32,959)	-	-	(32,959)		**(32,599)**
Currency translation differences	-	-	-	-	6,404	-	6,404	996	**7,400**
Net income/expense recognized directly in equity	**-**	**-**	**-**	**(32,959)**	**6,404**	**-**	**(26,555)**	**996**	**(25,559)**
Profit for the year ended 31 December 2008	-	-	-	-	-	165,244	165,244	23,854	**189,098**
Total recognized income and expenses for the period	**-**	**-**	**-**	**(32,599)**	**6,404**	**165,244**	**138,689**	**24,850**	**163,539**
Acquisition of subsidiary	-	-	-	-	-	-	-	2,706	**2,706**
Share based payment	-	-	1,573	-	-	-	1,573	-	**1,573**
Balance as of 31 December 2008	**4,741**	**214,280**	**13,056**	**(32,547)**	**4,537**	**894,866**	**1,098,933**	**56,990**	**1,155,923**

(*)Share based payments in the amount of 9 973 thousand EUR as at 31 December 2007 which were previously charged to share premium, were reclassified into other reserves.

Globe Trade Centre S.A.
Consolidated Cash Flow Statement
for the year ended 31 December 2008
(in thousands of Euro)

		Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation		267,911	299,144
Adjustments for:			
Revaluation of investment properties	15	(235,620)	(292,377)
Other income		(7,879)	-
Profit on sale of subsidiaries		-	(732)
Share of profit (loss) of associates		1,041	(4,709)
Share based payment	10,24	1,573	2,340
Depreciation and amortization	12,14	461	298
Operating cash before working capital changes		**27,487**	**3,964**
Decrease/(increase) in debtors and prepayments and other current assets		(18,822)	8,252
Decrease/(increase) in inventory		(89,744)	(65,603)
Increase in advances received		(11,141)	41,630
Increase/(decrease) in short-term payables and accruals		(5,577)	(13,277)
Cash generated/(used in) from operations		**(97,797)**	**(25,034)**
Finance expenses		(17,639)	3,906
Interest income		(942)	(3,246)
Tax paid in the period		(3,607)	(3,203)
Net cash used in operating activities		**(119,985)**	**(27,577)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(325,291)	(209,284)
Purchase of shares in subsidiaries, net of cash acquired	(a)	(49,862)	(78,587)
Purchase of shares in associates	17	(3,545)	(3,010)
Sale of non current assets		713	-
Sale of shares in subsidiary net of cash disposed of	(b)	-	119,270
Sale of shares in subsidiary to minority		-	7,230
Tax paid		-	(21,381)
Dividend received		-	6,735
Lease origination expenses		(2,583)	(1,111)
Loans granted		(48,023)	(17,849)
Loans repayments		1,602	10,766
Increase in short term deposits		(1,973)	(5,046)
Decrease in short term deposits			-
Net cash from /(used in) investing activities		**(428,962)**	**(192,267)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of share		-	125
Proceeds from long-term borrowings		466,535	351,919
Repayment of long-term borrowings		(58,924)	(72,906)
Proceeds from / (repayments of) short-term loan		(2,723)	(1,474)
Loans origination cost		(3,156)	(1,550)
Deposits received from/(repaid to) tenants		947	639
Net cash from financing activities		**402,679**	**276,753**
Effect of foreign currency translation		**1,400**	**11,085**
Net increase in cash and cash equivalents		**(144,868)**	**67,994**
Cash and cash equivalents, at the beginning of the year		**345,630**	**277,636**
Cash and cash equivalents, at the end of the period		**200,762**	**345,630**

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

(in thousands of Euro)

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

	Year ended 31 December 2008	Year ended 31 December 2007
Real estate under construction	53,845	56,591
Investment property	3,766	-
Acquisition of majority shares in associates	(4,403)	-
Inventory	2,706	44,375
Long term receivables	-	(878)
Working capital	(3,187)	(7,761)
Long term liabilities	-	(11,379)
Minority interests	(2,706)	(2,361)
Total	**50,021**	**78,837**
Cash in subsidiary acquired	(159)	(250)
Total paid net of cash acquired	**49,862**	**78,587**

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

	Year ended 31 December 2008	Year ended 31 December 2007
Working capital	-	1,555
Property, plant and equipment and real estate under construction	-	18
Investment properties	-	117,697
Total	-	120,327
Cash in subsidiary sold	-	(1,057)
Total inflow net of cash disposed of	-	119,270

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, Russia 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 2008 and 2007 the number of full time equivalent working in the Group companies was 180 and 156 respectively.

In addition as of 31 December 2008 the company hires services of 30 maintenance staff.

GTC is listed on the Warsaw Stock exchange.

The parent shareholder of the Company is GTC Real Estate Holding B.V. ("GTC Holding") of the Netherlands that holds 46.2% of the Company's shares (see note 24). The ultimate parent of the Company is Kardan N.V of the Netherlands

GTC Holding merged with GTC Real Estate N.V ("GTC Real Estate"), the previous parent shareholder of the Company, on 19 December 2008.

2. Functional and reporting currencies

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

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.

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 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 Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group.

3. Basis of preparation (continued)

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.

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 2008 and the Group's financial position as of 31 December 2008 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 2007.

The Company applied to this consolidated financial statements for the year ended 31 December 2008 all International Financial Reporting Standards (IFRS) effective for accounting periods beginning on or after 1 January 2008, and the standards that came into effect prior to 31 December 2008.

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 11 IFRS 2 – Group and Treasury Share Transactions
Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure: - Reclassification of financial instruments
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. Basis of preparation (continued)

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

IFRS 8 Operating segments - effective for financial years beginning on or after 1 January 2009,
IAS 1 Presentation of Financial Statements (revised in September 2007) - effective for financial years beginning on or after 1 January 2009,
IAS 23 Borrowing costs (revised in March 2007) - effective for financial years beginning on or after 1 January 2009,
IFRS 3R Business Combinations (revised in January 2008) – effective for financial years beginning on or after 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
Amendments to IAS 27 Consolidated and Separate Financial Statements (issued in January 2008) – effective for financial years beginning on or after 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (amended in January 2008) – effective for financial years beginning on or after 1 January 2009,
Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (amendments issued in February 2008) – effective for financial years beginning on or after 1 January 2009,
IFRIC 12 Service Concession Agreements - effective for financial years beginning on or after 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 for financial years beginning on or after 1 July 2008,
Amendments to IFRS 1 and IAS 27 Cost of an investment in a subsidiary, jointly-controlled entity or associate - effective for financial years beginning on or after 1 January 2009,
IFRIC 15 Agreements for the Construction of Real Estate - effective for financial years beginning on or after 1 January 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
IFRIC 16 Hedges of a Net Investment In a Foreign Operation - effective for financial years beginning on or after 1 October 2008 - it has not been endorsed by the EU till the day of approval of these financial statements,
Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (issued in July 2008) - effective for financial years beginning on or after 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
IFRS 1R First-time Adoption of International Financial Reporting Standards (revised in November 2008) - effective for financial years beginning on or after 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,
IFRIC 17 Distributions of Non-cash Assets to Owners - effective for financial years beginning on or after 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements,

3. Basis of preparation (continued)

Amendments to IAS 39 and IFRS 7 - Reclassification of Financial Assets: Effective Date and Transition (issued in November 2008) – effective on or after 1 July 2008 - it has not been endorsed by the EU till the day of approval of these financial statements,
IFRIC 18 Transfers of Assets from Customers – effective on or after 1 July 2009 - it has not been endorsed by the EU till the day of approval of these financial statements.
Improvements to IFRSs except for these related to amended IAS 40 (as described below).

Above mentioned standards were not yet applied by the Group.

Standards that were applied by the Group include:

Improvements to IFRSs related to amended IAS 40 – effective for financial years beginning on or after 1 January 2009. The IASB concluded, as part of its Annual Improvement Project, that, in addition to including investment property under construction within the scope of the Standard, it would also amend the Standard to allow investment property under construction to be measured at fair value if and when that fair value can be measured reliably. Until such time as the fair value becomes reliably measurable these properties shall be accounted for at cost until construction is completed (whichever comes earlier). The Company early adopted the option to fair value investment property under construction.

The change in IFRS Improvement had impact on the financial data presented in these consolidated financial statements (see note 4c).

The Group is in course of analyzing impact of the changes in the standards and interpretations mentioned above on the accounting policies applied by the Group.

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 and equipment. Property, plant and equipment are recorded at historical cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and impairment is done each quarter.

The following depreciation rates have been applied:

	Depreciation rates
Equipment	7 -20 %
Vehicles	20 %

Assets under construction other than investment property 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. Assets under construction are not depreciated.

On 31 December 2008 the Company adopted early improvements to IAS 40 and changed its accounting policy regarding investment property under construction in order to increase transparency and reduce the volatility arising from profit recognition under IAS 40 (see below).

4. Accounting Policies (continued)

(c) Investment properties

Investment property comprises of a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as investment property (investment property under construction).

(i) Completed Investment properties

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the balance sheet date. Gains or losses arising from a change in the fair value of the investment properties are included in the income statement in the year in which they arise.

Completed investment properties were externally valued by independent appraiser as of 31 December 2008 based on open market values. Completed properties are either valued on the basis of Discounted Cash Flow or - as deemed appropriate – on basis of the Income Capitalisation or Yield method.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(ii) Investment property under construction

In May 2008, as part of its annual improvement process, the IASB approved changes that brought investment property under construction into the scope of IAS 40 *Investment Property*. From 2009, entities reporting under IFRS will be required to re-classify investment property under construction (‘IPUC’) to investment property.

4. Accounting Policies (continued)

This means that any entities who measure their completed investment property at fair value will also need to measure their IPUC at fair value (subject to fair value being reliably determinable). The Company has decided to adopt these changes to IAS 40 as from 31 December 2008. Accordingly, The Company has decided to revalue only IPUC, for which a substantial part of the development risks have been eliminated. Assets, for which this is not the case or construction has not yet started are presented at the lower of cost or market value.

The Company has adopted the following criteria to start assessment whether the substantial risks are eliminated with regard to particular IPUC:

- agreement with general contractor is signed;
- building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letter of intents).

The fair values of IPUC were determined, as at their stage at the end of the reporting period (first implementation as of 31 December 2008), based on qualified independent appraisers' opinion. The valuations were performed in accordance with RICS and IVSC Valuation Standards using either the residual method approach or DCF, as deemed appropriate by the valuer. Each IPUC is individually assessed.

The future assets' value is estimated based on the expected future income from the project, using yields that are higher than the current yields of similar completed property. The remaining expected costs to completion are deducted from the estimated future assets value.

For projects where the expected future completion risk is above average (as deemed appropriate by the valuer), also a developer profit margin of unexecuted works, was deducted from the value.

4. Accounting Policies (continued)

(d) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer'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.

(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.

4. Accounting Policies (continued)

(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 relates to residential projects under construction and 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.

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units, which are not refundable, are expensed in full when the contract to sell is secured'.

(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).

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.

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.

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**
Financial assets/liabilities (excluding derivatives)		
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	Debtors	Amortised costs
Other financial liabilities	Trade and other payables	Amortised costs
	Long term Loans	Amortised costs
	Credit line	Amortised costs
	Long term payable	Amortised costs
	Financial liability	Re-estimated amortised cost. (see note 4 (g))
Derivatives		
Held for trading	Interest Rate Swap	Fair value- adjusted to income statements
Hedging (cash flow hedges)	Interest Rate Swaps	Fair value- adjusted to equity (effective portion) / adjusted to income statements (ineffective portion)
Held for trading	Interest Rate collars	Fair value- adjusted to income statements

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).

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. Classification of hedges depends on their maturity.

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.

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. The changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

Significant accounting judgements related to investment property under construction are presented in note 4 c).

The group uses estimates in determining the amortization rates used.

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.

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.

(ad) Leases

Leases where the group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognising as an expense in the income statement on the strait line basis over the lease term.

(in thousand of Euro)

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 Decenber 2008**	31 Decenber 2007**
GTC Mars Sp. z o.o. (“GTC Mars”) (liquidated) (****)	GTC S.A.	Poland	-	100%
GTC Taurus Sp. z o.o. (“GTC Taurus"), (liquidated) (****)	GTC S.A.	Poland	-	100%
Darat Sp. z o.o. (“Darat”) (in liquidation) (****)	GTC S.A.	Poland	100%	100%
GTC Konstancja Sp. z o.o. (“GTC Konstancja”)	GTC S.A.	Poland	100%	100%
GTC Korona S.A. (“GTC Korona”)	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o (“Globis Poznan”)	GTC S.A.	Poland	100%	100%
GTC Vega Sp. z o.o. (“GTC Vega”), (liquidated) (****)	GTC S.A.	Poland	-	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. (“GTC Nefryt ”)	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. (“GTC GK Office ”)	GTC S.A.	Poland	100%	100%
Rodamco CH1 Sp. z o.o. (“Rodamco CH1”) (*)	GTC S.A.	Poland	50%	50%
GTC Com 1 Sp. z o.o. (“GTC Com 1”)	GTC S.A.	Poland	100%	100%
GTC Wroclaw Office Sp. z o.o. („GTC Wroclaw 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%	100%
Sigma Development Inwestycje sp. z o.o	GTC S.A.	Poland	100%	100%
Omega Development Inwestycje Sp. z o.o	GTC S.A.	Poland	100%	100%
Delta Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%
Omikron Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	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).
*** None of the acquisitions of subsidiaries which took place during the period constituted a business combination.
**** As all companies in liquidation do not posses generating cash flow assets, no disclosures under IFRS 5 are required.

(in thousand of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2008**	31 December 2007**
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%
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.	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%	100%
Toborzó Széplak Kft.	GTC Hungary	Hungary	100%	100%
Mastix Champion Kft.	GTC Hungary	Hungary	100%	100%
GTC Renaissance Plaza Kft.	GTC Hungary	Hungary	100%	100%
SASAD II Kft.	GTC Hungary	Hungary	50.1%	50.1%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%
River Loft Offices Kft.	GTC Hungary	Hungary	100%	-
Immo Buda Kft.	GTC Hungary	Hungary	100%	-
Szemi Ingatlan Ltd.	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%
Emerging Investments III B.V.	GTC S.A.	Netherlands	100%	-
GTC Real Estate Management Services Ukraine LLC	GTC Ukraine	Ukraine	90%	90%
GTC Real Estate Investments Russia B.V. ("GTC Russia", formerly GTC Moldova)	GTC S.A.	Netherlands	100%	100%
Yatelsis Viborgskaya Limited of Nicosia ("YVL")	GTC Russia	Cyprus	50%	-
GTC Development Service Spb	GTC Russia	Russia	100%	-
OOO Okkerville	YVL	Russia	100%	-
ZAO Krasny Mayak	YVL	Russia	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%	70%
GTC Jarossova S.R.O	GTC Bratislava	Slovakia	70%	-
GTC Hill S.R.O	GTC Slovakia	Slovakia	100%	-
GTC Vinohradis Villas S.R.O	GTC Slovakia	Slovakia	100%	-
GTC Real Estate Vinohrady s.r.o. ("GTC Vinohrady")	GTC Bratislava	Slovakia	70%	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).
*** None of the acquisitions of subsidiaries which took place during the period constituted a business combination.

(in thousand of Euro)

Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2008**	31 December 2007**
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%	80%
GTC Center Point Ltd.	GTC Croatia	Croatia	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Nekretnine Istok d.o.o	GTC Croatia	Croatia	100%	100%
GTC Nekretnine Jug. d.o.o	GTC Croatia	Croatia	100%	100%
GTC Sredisnja tocka d.o.o.	GTC Croatia	Croatia	100%	-
GTC Nekretnine Zapad d.o.o	GTC Croatia	Croatia	100%	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%
Aurora Business Complex S.R.L	GTC Romania	Romania	50.1%	50.1%
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%	75%
Venus Commercial Center S.R.L. (*)	National Commercial Centers B.V.	Romania	66.7%	66.7%
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	50%	50%
Fajos S.R.L. (*)	National Commercial Centers B.V.	Romania	50%	50%
City Gate S.R.L	Bucharest City Gate B.V.	Romania	58.9%	58.9%
Brightpoint Investments Limited	GTC Romania	Romania	50.1%	50.1%
Complexul Residential Colentina S.R.L .	Brightpoint Investments Limited	Romania	100%	100%
Cefin Galati Real Estate S.R.L (1) (*)	National Commercial Centers B.V.	Romania	63.8%	-
Cefin Galati Real Estate S.R.L (*)	National Commercial Centers B.V.	Romania	63.8%	-
Operetico Enterprises Ltd.	GTC Romania	Cyprus	66.7%	66.7%
Deco Intermed S.R.L	Operetico Enterprises Ltd.	Romania	100%	100%
GML American Regency Pipera S.R.L	GTC Romania	Romania	66.7%	66.7%

* 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).
*** None of the acquisitions of subsidiaries which took place during the period constituted a business combination.

(in thousand of Euro)

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

Name	Holding Company	Country of incorporation	31 Decenber 2008**	31 Decenber 2007**
GTC Real Estate Investments Bulgaria BV („GTC Bulgaria”)	GTC S.A.	Netherlands	100%	100%
Galeria Stara Zagora AD	GTC Bulgaria	Bulgaria	75%	75%
Galeria Burgas JSC	GTC Bulgaria	Bulgaria	66.7%	66.7%
GTC Galeria Varna EOOD	GTC Bulgaria	Bulgaria	65%	65%
Galeria Ikonomov GmbH	GTC Bulgaria	Austria	65%	65%
Galeria Varna JSC (*)	Galeria Ikonomov GmbH	Bulgaria	65%	65%
GTC Business Park EAD	GTC Bulgaria	Bulgaria	100%	-
NRL EAD	GTC Bulgaria	Bulgaria	100%	-
Galeria Ikonomov GmbH	GTC Bulgaria	Bulgaria	65%	65%
GTC Yuzhen Park EAD (“GTC Yuzhen”)	GTC Bulgaria	Bulgaria	100%	100%
GTC Real Estate Investments Serbia B.V. (“GTC Serbia”)	GTC S.A.	Netherlands	100%	100%
City Properties Serbia B.V.	GTC Serbia	Netherlands	100%	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%
Demo Invest d.o.o	GTC Commercial Centres d.o.o	Serbia	100%	25%
GTC Managment d.o.o	GTC Serbia	Serbia	100%	-
GTC Metropolitan properties d.o.o	GTC Serbia	Serbia	100%	-
GTC Urban Regeneration Investments d.o.o	GTC Serbia	Serbia	100%	-
Atlas Centar d.o.o.	GTC Serbia	Serbia	100%	100%
GTC Commercial Centers d.o.o.	GTC Serbia	Serbia	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).
*** None of the acquisitions of subsidiaries which took place during the period constituted a business combination.

(in thousand of Euro)

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

Investment in Associates

Name	Holding Company	Country of incorporation	31 December 2008*	31 Decenber 2007*
Lighthouse Holdings Limited S.A. (“Lighthouse”)	GTC S.A.	Luxemburg	35%	35%
Vokovice BCP Holding S.A. (“Vokovice”)	GTC S.A.	Luxemburg	35%	35%
Holesovice Residential Holdings S.A. (“Holesovice”)	GTC S.A.	Luxemburg	35%	35%
CID Holding S.A. (“CID”)	GTC S.A.	Luxemburg	35%	35%
ND Holdings S.A (“ND”)	GTC S.A.	Luxemburg	35%	35%
Demo Invest d.o.o.	GTC Serbia	Serbia	-	25%
Europort Investment (Cyprus) 1 Limited	GTC Ukraine	Cyprus	49,9%	-
Europort LTD	Emerging investment	Israel	10%	-

* 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).

6. Events in the period

In May 2008, GTC Russia signed an agreement to purchase a 50% interest in the company that owns a 4.3 hectare site in St. Petersburg city centre. The company intends to develop a 110,000 sqm of office space on this land.

In May 2008, the Company raised PLN 350 million bonds with 5-year maturity. The interest rate on the bonds is based on 6-month WIBOR increased by margin; Interest will be paid every 6 months. The offering was addressed to the leading Polish institutions.

Following bonds offering, the Company converted the cash received into Euro and swapped the related liability by entering into a Euro-PLN cross-currency Interest Rate Swap transaction, whereby the liability bears fixed interest at a rate of 6.63% p.a.

In July 2008, the Company purchased the shares of Emerging Investments III B.V. (“Emerging Investments”) for its nominal value (see hereinafter).

In July 2008, GTC Ukraine has entered into a subscription agreement subscribing shares of Europort Investment (Cyprus) 1 Limited with its seat in Nicosia, (Cyprus) constituting in total 49.99% of its share capital, in consideration for its nominal value . The remaining shares are owned by Europort Ltd (“Europort”) (see hereinafter).

Simultaneously, Emerging Investments, entered into a subscription agreement for the acquisition of 10% stake of Europort for a total issue price of USD 5.6 million.

Emerging Investments shall be required to invest an additional USD 7,000,000 against issuance of additional shares of Europort, bringing Emerging Investment holdings in Europort to 20%, under certain circumstances and conditions.

In 1 October 2008, the Company designated some of its IRS instruments as hedge instruments. As from 1 October 2008, the differences in value of such hedge instruments are recognized in Equity. The Company found that such treatment would be more appropriate, as the purpose of the hedge is to mitigate risks and reduce unnecessary volatility of the Company’s financial performance. Starting from 1 October 2008 the instruments meet the requirements of hedge accounting and hedge accounting is applied

On 31 December 2008, the Company adopted the IFRS Improvement Standards (related to IAS 40 Investment Property) in order to increase transparency and reduce profit volatility arising from profit recognition under IAS 40. Under the improved standard, property that is being constructed or developed for future commercial use are re-classified as investment property, and presented at its fair value. Any change in fair value is being presented in the income statements (see note 4c).

(in thousand of Euro)

7. Revenue from operations

Revenue from operations comprises of the following:

	Year ended 31 December 2008	Year ended 31 December 2007
Rental revenue	72,084	52,300
Residential revenue	42,455	21,308
	114,539	73,608

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 2008 amounts to approximately Euro 466 million and (Euro 386 million as of 31 December 2007), of which approximately Euro 84 million and (Euro 69 million) is due within one year, Euro 228 million and (Euro 220 million) is due within one to five years, and Euro 154 million and (Euro 97 million) 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.

8. Cost of operations

Costs of operations comprise the following:

	Year ended 31 December 2008	Year ended 31 December 2007
Rental costs	18,561	11,153
Residential costs	33,317	12,508
	51,878	23,661

Majority of rental costs represents external services costs. Majority of rental costs relates to investment properties, which generates rental income.

(in thousand of Euro)

9. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2008	Year ended 31 December 2007
Brokerage and similar fees	171	345
Advertising	3,447	3,468
Payroll and related expenses	707	467
	4,325	4,280

10. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2008	Year ended 31 December 2007
Payroll, management fees and other expenses	12,170	10,106
Share based payments	1,573	2,340
Office expenses	808	829
Audit, legal and other advisers	2,701	3,232
Shopping centre management fee	383	386
Depreciation and amortisation	461	298
	18,096	17,191

11. Other financial expenses, net

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

	Year ended 31 December 2008	Year ended 31 December 2007
Interest and other expenses, net		
- interest expenses (on financial liabilities that are not at fair value through profit or loss)	(35,562)	(24,390)
- change in fair value of financial instruments (derivatives)	15,840	(7,854)
- change in fair value of financial liability (on financial liabilities that are not at fair value through profit or loss)	1,555	9,743
	(18,167)	(22,501)

(in thousand of Euro)

12. 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 2008 and 31 December 2007 is presented below:

	Poland		Hungary		Romania		Serbia		Croatia		Other		Consolidated	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Rental income	39,782	28,621	10,056	9,023	214	6,156	4,143	3,555	17,122	4,945	767	-	72,084	52,300
Contract income	5,995	17,265	2,114	4,043	11,782	-	22,564	-	-	-	-	-	42,455	21,308
Total income	**45,777**	**45,886**	**12,170**	**13,066**	**11,996**	**6,156**	**26,707**	**3,555**	**17,122**	**4,945**	**767**	**-**	**114,539**	**73,608**
Rental costs	10,325	6,047	2,625	2,055	563	1,713	1,362	552	3,372	786	314	-	18,561	11,153
Contract costs	4,225	10,015	1,929	2,493	8,887	-	18,276	-	-	-	-	-	33,317	12,508
Total costs	**14,550**	**16,062**	**4,554**	**4,548**	**9,450**	**1,713**	**19,638**	**552**	**3,372**	**786**	**314**	**-**	**51,878**	**23,661**
Rental result	29,457	22,574	7,431	6,968	(349)	4,443	2,781	3,003	13,750	4,159	-	-	53,070	41,147
Contract result	1,770	7,250	185	1,550	2,895	-	4,288	-	-	-	-	-	9,138	8,800
Total result	**31,227**	**29,824**	**7,616**	**8,518**	**2,546**	**4,443**	**7,069**	**3,003**	**13,750**	**4,159**	**-**	**-**	**62,208**	**49,947**
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-			(14,410)	(19,172)
Revaluation of investment property	148,352	116,226	(4,099)	11,785	58,552	16,397	4,282	32,462	7,481	115,507	21,052	-	235,620	292,377
Profit from continuing operations before tax and financial related income/(expenses)	-	-	-	-	-	-	-	-	-	-			283,871	323,152
Foreign currency translation gain (loss), net	-	-	-	-	-	-	-	-	-	-			(9,546)	(22,830)
Interest income	-	-	-	-	-	-	-	-	-	-			12,794	15,882
Other interest expense and similar charges, net	-	-	-	-	-	-	-	-	-	-			(18,167)	(22,501)
Profit on sale of subsidiaries													-	732
Share of profit/(loss) from associates	-	-	-	-	-	-	-	-	-	-			(1,041)	4,709
Taxation	-	-	-	-	-	-	-	-	-	-			(78,813)	(37,731)
Profit for the year	-	-	-	-	-	-	-	-	-	-			189,098	261,413
Minority interest	-	-	-	-	-	-	-	-	-	-			23,854	27,003
Equity holders of the parent	-	-	-	-	-	-	-	-	-	-			165,244	234,410

(in thousand of Euro)

12. Segmental analysis (continued)

Segment analysis as of 31 December 2008 and 31 December 2007 is presented below:

	Poland		Hungary		Romania		Serbia		Croatia		Other		Consolidated	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Segment assets														
Allocated assets rental	962,185	590,627	232,388	49,376	208,648	73,458	181,291	122,413	222,664	200,888	147,389	29,751	1,954,566	1,066,512
Allocated assets residential	54,587	28,288	62,817	201,050	171,393	106,727	6,955	19,332	6,973	5,968	41,475	26,828	344,199	388,193
Unallocated corporate assets	174,496	335,220	9,470	16,446	41,758	24,105	5,380	17,136	3,773	7,104	24,761	6,518	259,639	406,529
Consolidated total assets	1,191,268	954,135	304,675	266,872	421,799	204,290	193,627	158,881	233,410	213,961	213,625	63,096	2,558,404	1,861,234
Segment liabilities											-			
Allocated liabilities rental	93,230	3,326	24,159	3,675	39,999	4,197	17,072	41,351	3,814	35,357	49,651	749	227,925	88,654
Allocated liabilities residential	65,577	8,991	5,857	20,588	17,395	34,201	701	1,864	85	202	7,163	4,901	96,778	70,746
Unallocated corporate liabilities	212,921	442,277	228,338	100,860	235,675	48,446	128,067	34,738	126,488	82,752	146,289	4,654	1,077,778	713,728
Consolidated total liabilities	371,728	454,593	258,354	125,124	293,069	86,844	145,840	77,952	130,387	118,311	203,104	10,304	1,402,481	873,129
Capital expenditures	148,622	99,374	26,998	18,423	75,559	29,308	27,692	19,632	12,454	36,444	33,961	6,103	325,286	209,284
Depreciation of fixed asset	63	103	65	70	70	21	50	42	156	35	57	28	461	298
Non cash expenses other than depreciation		330												330

(in thousand of Euro)

13. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Current tax expense	5,129	4,042
Deferred tax (credit)/expense	73,684	33,689
	78,813	37,731

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.

(in thousand of Euro)

13. 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 2008	Year ended 31 December 2007
Accounting profit before tax	267,911	299,144
Accounting profit at the applicable tax rate in each country of activity	47,225	54,432
Tax effect of expenses/(income) that are not deductible in determining taxable profit	4,954	(9,946)
Share of profit in associates/profit from sale of shares	(198)	(68)
Tax effect of foreign currency differences	23,471	(6,630)
Change in tax rate	-	242
Other	-	226
Previous years tax	1,528	150
Unrecognised deferred tax asset (recognised asset which was not accounted for in the past)	1,833	(675)
Tax expense / (income)	78,813	37,731

(in thousand of Euro)

13. 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 2007	Credit / (charge) to income statement	As of 31 December 2007	Credit / (charge) to income statement	As of 31 December 2008
Financial instruments	578	5,544	6,122	(4,166)	1,956
Tax loss carry forwards	2,756	631	3,387	(2,475)	912
Basis differences in non-current assets	593	74	667	(667)	-
Basis differences in inventory	1,909	(83)	1,826	(1,826)	
Other	(454)	844	390	(29)	361
Total	**5,382**	**7,010**	**12,392**	**(9,163)**	**3,229**
Valuation reserve	(2,356)	675	(1,681)	1,681	
Net deferred tax assets	**3,026**	**7,685**	**10,711**	**(7,482)**	**3,229**

(in thousand of Euro)

13. Taxation (continued)

Deferred tax liability comprises of the following:

	As of 1 January 2007	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2007	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2008
Tax loss carry forwards	785	-	895	-	1,680	-	4,115	-	5,795
Other	(278)	-	27	-	(251)		(908)	-	(1,159)
Financial instruments	(1,414)	(12)	124	(381)	(1,683)	6,360	(7,207)	(4,255)	(6,785)
Deferred taxation on revaluation	(51,515)	-	(42,474)	2,418	(91,571)	-	(51,730)	3,349	(139,952)
Basis differences in non-current assets	1,128	-	2,508	-	3,636	-	(15,533)	-	(11,897)
Depreciation	(2,891)	-	(807)	-	(3,698)	-	3,698	-	-
Contract margin recognition		-	(1,291)	-	(1,291)	-	860	-	(431)
Basis differences in inventory	(147)	-	(356)	-	(503)	-	503	-	-
Net deferred tax liability	**(54,332)**	**(12)**	**(41,374)**	**2,037**	**(93,681)**	**6,360**	**(66,202)**	**(906)**	**(154,429)**

(in thousand of Euro)

13. Taxation (continued)

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

Tax rate	Year ended 31 December 2008	Year ended 31 December 2007
Poland	19%	19%
Hungary	20%	20%
Ukraine	25%	25%
Bulgaria	10%	15%
Slovakia	19%	19%
Serbia	10%	10%
Croatia	20%	20%
Romania	16%	16%
The Netherlands	29.6%	29.6%

13. 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.

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 tax losses carried forward as of 31 December 2008 and 2007 available in the amount of Euro 40,958 and Euro 32,811 thousand. Tax losses can be utilized up to maximum 9 years, depending on tax jurisdiction.

(in thousand of Euro)

14. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2008 and 31 December 2007 was as follows:

	Equipment	Vehicles	Construction in Progress (*)	Total
Cost				
As of 1 January 2007	1,088	789	169,234	171,111
Acquisition of subsidiaries			56,591	56,591
Additions / (transfers), net	318	269	216,993	217,580
Disposals		(63)		(63)
Transfers to investment property			(157,782)	(157,782)
Translation differences		15		15
As at 31 December 2007	1,406	1,010	285,036	287,452
Accumulated Depreciation				
As of 1 January 2007	626	233	-	859
Charge for the period	90	208		298
Disposals	(13)	(49)		(62)
Translation differences				
As at 31 December 2007	703	392		1,095
Net book value as at 31 December 2007	703	618	285,036	286,357
Cost				
As of 1 January 2008	1,406	1,010	285,036	287,452
Acquisition of subsidiaries			53,845	53,845
Additions, net	227	264	357,429	357,920
Disposals and other decreases		(84)		(84)
Transfers to investment property			(696,310)	(696,310)
Foreign exchange differences				
As at 31 December 2008	1,633	1,190	-	2,823
Accumulated Depreciation				
As of 1 January 2008	703	392		1,095
Charge for the period	305	156	-	461
Transfers to other assets				
Disposals		(84)		(84)
Foreign exchange differences				
As at 31 December 2008	1,008	465		1,473
Net book value as at 31 December 2008	625	725		1,350

On 31 December 2008 construction in progress was reclassified to Investment Property (see note 4c)

(in thousand of Euro)

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15. Investment Property

The investment properties that are owned by the Group are office and commercial space, including property under construction:

Investment property can be split up as follows:

	Year ended 31 December 2008	Year ended 31 December 2007 (*)
Completed investment property	1,143,116	860,933
Investment property under construction at fair value	369,621	n/a
Investment property under construction at cost	315,052	n/a
Total	**1,827,789**	**860,933**

(*) As at 31 December 2007 investment properties under construction were presented within Property, Plant and Equipment (see note 4c).

As at 31 December 2007 investment properties under construction were carried at cost or lower market value.

The movement in investment property for the periods ended 31 December 2008 and 31 December 2007 was as follows:

	Year ended 31 December 2008	**Year ended 31 December 2007**
Fair value at beginning of the year	860,933	541,75
Additions , including:		
Capitalised subsequent expenditure	11,273	2,161
Purchase of shares in subsidiaries	3,766	-
Transfers to investment property	696,310	157,782
Brokers fees and other incentives	2,722	3,103
Adjustment to fair value	235,620	292,377
Reversal of impairment	7,879	-
Disposals	(713)	(117,697)
Translation differences	9,999	(18,544)
Carrying amount at the end of the year	1,827,789	860,933

(in thousand of Euro)

15. Investment Property

Fair value adjustment consists of the following:

		Year ended 31 December 2008	Year ended 31 December 2007
Fair value of properties completed in prior years		32,775	93,043
Fair value of newly completed properties		78,113	199,334
Fair value of property under construction	4c	124,732	n/a
		235,620	**292,377**

Assumptions used in the valuations as of 31 December 2008 are, presented on the basis of weighted averages, presented below:

	Poland	Other countries
Completed assets		
Average rental rate per sqm (Eur) (*)	22	27
Yield	6.9%	7.7%
ERV per sqm (Eur) (*)	24	25
Vacancy	1%	18%
Assets under construction (only assets at fair value)		
average yield	7.9%	8.1%
Average % complete	42%	43%
Estimated average development profit (1-(Total expected costs /Fair value upon completion))	31%	33%
Effective average development profit accounted for the year to date (1-(Total costs spent /Current fair value))	36%	45%

Assumptions used in the valuations as of 31 December 2007 are, presented on the basis of weighted averages, presented below:

	Poland	Other countries
Completed assets		
Average rental rate per sqm (Eur) (*)	21	23
Yield	5.7%	6.8%
ERV per sqm (Eur) (*)	23	26
Vacancy	7%	16%
Assets under construction	n/a	n/a

(*) Apart from basic rent includes income from parking, ad-on factors, and other income

(in thousand of Euro)

15. Investment Property

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2008 due to change in assumptions (the values are presented in absolute numbers as a change can either be positive or negative):

	Poland	Other countries
Completed investment property		
Change of 25 bp in yield	23,914	17,427
Change of 5% in estimated rental income	29,750	24,386
Investment property under construction		
Change of 5% in total construction costs	15,832	9,757
Change of 5% in estimated rental income	23,648	13,148
Change of 1% in estimated development profit	4,754	2,816

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2007 due to change in assumptions

	Poland	Other countries
Completed investment property		
Change of 25 bp in yield	14,619	15,147
Change of 5% in estimated rental income	23,096	15,380
Investment property under construction	n/a	n/a

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world's capital markets and real estate markets. There is low liquidity level in the real estate market and transaction volumes are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. As a result there is less certainty with regard to valuations and market values can change rapidly due to the current market conditions.

(in thousand of Euro)

16. Inventory

Inventory as of 31 December 2008 consists of the following:

	Total cost	Of which land
Completed	11,150	1,398
Under construction	148,790	32,535
In design stage	162,072	127,365
	322,012	161,298

Inventory as of 31 December 2007 consists of the following:

	Total cost	Of which land
Completed	210	40
Under construction	110,784	61,971
In design stage	101,939	69,143
	212,933	131,154

Borrowing costs capitalized during the years 2008 and 2007 amount to Euro 9,833 thousand and Euro 6,033 thousand respectively.

(in thousand of Euro)

17. Investment in associates

The investment in associates comprises the following:

	31 December 2008	31 December 2007
Shares	7,802	4,792
Acquisition/establishment of new associate	3,545	3,010
Acquisition of majority shares in associates	(3,000)	-
Translation differences	(103)	988
Equity profit	2,681	3,709
Investment in shares	10,925	12,499
Loans granted	33,944	15,404
Investment in associates	44,869	27,903

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 of the following:

	31 December 2008	31 December 2007
Assets	85,711	44,923
Liabilities	79,102	40,697
	Year ended 31 December 2008	Year ended 31 December 2007
Revenues from operations	7,495	8,397
Profit for the year	1,192	4,709

(in thousand of Euro)

18. Derivatives

As of 31 December 2008 and 2007, 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 as of 31 December 2008	Accounting treatment as of 31 December 2007
Raffaisen Bank	Loan from EBRD (GTC Serbia)	08-May-06	05-Aug-11	Floating	Fixed 3.85%	Hedge accounting	Hedge accounting
MBK Bank	Loan from MBK (GTC Hungary)	Apr-06	Jan-09	Floating	Collar 3.41%-3.70%	Profit and Loss	Profit and Loss
		Jan-09	Jan-14	Floating	Collar 3.77%-4.15%	Profit and Loss	Profit and Loss
		Jan 08	Oct 09	Floating	Collar 4.03%-4.6%	Profit and Loss	Profit and Loss
		Oct 09	Oct 11	Floating	Collar 3.89%-4.6%	Profit and Loss	Profit and Loss
Bank PEKAO S.A	Bonds	Apr-07	Apr-12	Floating PLN	Fixed Euro 5.745%	Hedge accounting	Profit and Loss
		Apr-07	Apr-14	Floating PLN	Fixed Euro 5.745%	Hedge accounting	Profit and Loss
Bank PEKAO S.A	Bonds	May-08	May-13	Floating PLN	Fixed Euro 6.63%	Hedge accounting	-
EUROHYPO	Topaz	Jan-08	Dec-11		Collar 3.2%-4.1%	Profit and Loss	Profit and Loss
ING Bank	Newton office building	Feb-08	May-15	Floating	Fixed 3.56%	Hedge accounting	-
ING Bank	Edisson office building	Feb-08	May-15	Floating	Fixed 3.9%	Hedge accounting	-
ING Bank	Globis Poznan office building	Jul-08	Jun-14	Floating	Fixed 4.99%	Hedge accounting	-

(in thousand of Euro)

18. Derivatives (continued)

Party	Loan hedged	Commence	Expiration date	Interest rate on bank loan (swapped)	Interest to be paid by the Company	Accounting treatment as of 31 December 2008	Accounting treatment as of 31 December 2007
ING Bank	Platinium 1 office building	July-08	Dec-15	Floating	Fixed 4.83%	Hedge accounting	-
ING Bank	Platinium 2 office building	July-08	Dec-15	Floating	Fixed 4.83%	Hedge accounting	-
ING Bank	Nothus office building	July-08	Dec-15	Floating	Fixed 4.74%	Hedge accounting	-
ING Bank	Zephirus office building	July-08	Dec-15	Floating	Fixed 4.74%	Hedge accounting	-
EUROHYPO	Nefryt office building	August-08	Dec-15	Floating	Fixed 4.68%	Hedge accounting	-
Aareal bank	Loan from Aareal (GTC Galeria Kazimierz)	Apr-05	Mar-07	Floating	Fixed 3.32%	-	Hedge accounting
		Apr-07	Mar-11		Collar 3.25%-5.5%	Profit and Loss	Profit and Loss
		May-06	May-11		Fixed 3.92%	Hedge accounting	Hedge accounting

The above instruments hedged the risk involved in fluctuations of interest rate and currencies rates.

The movement derivatives for the periods ended 31 December 2008 and 31 December 2007 was as follows:

	31 December 2008	31 December 2007
Fair value as of beginning of the year	12,449	589
Charged directly to equity	(40,602)	193
Charged to income statements	(44,866)	11,667
Fair value as of end of the year end	(73,019)	12,449

In 1 October 2008, the Company designated some of its IRS instruments as hedge instruments. As from 1 October 2008, the differences in value of such hedge instruments are recognized in Equity. The Company found that such treatment would be more appropriate, as the purpose of the hedge is to mitigate risks and reduce unnecessary volatility of the Company's financial performance. Starting from 1 October 2008 the instruments meet the requirements of hedge accounting and hedge accounting is applied. The Company found that such treatment would be more appropriate, as the purpose of the hedge is to mitigate risks and reduce unnecessary volatility of the Company's financial performance.

(in thousand of Euro)

19. Trade creditors and accruals

The majority of trade creditors and accruals relates to payables due to construction activity.

20. Short-term deposits

Short-term deposits can be used only for certain operating activities as determined by underlying contractual commitments.

21. Cash and cash equivalents

Cash balance consists of cash in banks. 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 (see note 34).

22. Long term payable

Long term payables consist of the following:

	31 December 2008	31 December 2007
Payable to land owner	11,572	4,929
Other	991	617
Less – current portion	(3,625)	(1,168)
	8,938	4,378

(in thousand of Euro)

23. Long-term loans

Long-term loans comprise the following:

	31 December 2008	31 December 2007
Bonds series 0414	172,562	201,005
Bonds series 0412	19,174	22,334
Bonds series 0513	83,885	-
Loan from Aareal Bank (Rodamco CH1)	33,903	34,394
Loan from Aareal Bank (GTC Galeria Kazimierz)	33,391	34,963
Loan from WBK (Globis Poznan)	17,954	8,460
Loan from WBK 1 (Galileo)	6,792	6,877
Loan from WBK 2 (Newton)	11,168	10,876
Loan from WBK 3 (Edison)	12,969	7,647
Loan from EUROHYPO (GTC Topaz office)	13,620	14,190
Loan from BPH Bank (Globis Wroclaw)	28,958	12,861
Loan from ING (Nothus)	18,000	6,866
Loan from ING (Zefirus)	18,000	-
Loan from ING (Platinium 1)	21,000	10,290
Loan from ING (Platinium 2)	21,000	-
Loan from Eurohypo (Nefryt)	33,038	4,801
Loan from WBK (Kazimierz office)	6,719	-
Loan from PEKAO (Galeria Jurajska)	34,165	-
Loan from MKB (Centre Point I)	28,551	29,651
Loan from MKB (Centre Point II)	33,641	35,267
Loan from Erste (Metro)	2,800	-
Loan from MKB (Riverloft)	-	4,084
Loan from MKB (Spiral)	10,282	10,455
Loan from CIB (Reinesance)	6,078	-
Loan from MKB (Sasad Resort)	31,825	13,510
Loan from EBRD and Raiffeisen Bank (GTC House)	19,575	21,109
Loan from EBRD and Raiffeisen Bank (19 Avenue)	17,141	-
Loan from EBRD and Raiffeisen Bank (Block 41)	9,994	-
Loan from EBRD and Raiffeisen Bank (Green Dream)	5,688	6,702
Loan from Unicredit (Felicity)	28,902	-
Loan from RZBR (Rose Garden)	14,380	-
Loan from EBRD (NCC)	16,182	-
Loan from EBRD (Arad)	2,242	-
Loan from MKB and Zagrabecka Banka (Avenue Mall)	51,897	56,692
Loan from EBRD (Stara Zagora)	2,708	-
Loan from Unicredit (GTC Vinohradi)	5,024	-
Loans from minorities in subsidiaries	105,677	57,799
Deferred issuance debt expenses	(2,094)	(1,941)
	976,791	**608,892**

(in thousand of Euro)

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 2008	**31 December 2007**
Long term portion of long term loans:		
Bonds series 0414	172,562	201,005
Bonds series 0412	19,174	22,334
Bonds series 0513	83,885	-
Loan from Aareal Bank (Rodamco CH1)	31,811	32,594
Loan from Aareal Bank (GTC Galeria Kazimierz)	31,819	33,391
Loan from WBK (Globis Poznan)	17,447	7,953
Loan from WBK 1 (Galileo)	6,359	6,462
Loan from WBK 2 (Newton)	10,884	10,695
Loan from WBK 3 (Edison)	12,597	7,647
Loan from EUROHYPO (GTC Topaz office)	13,020	13,620
Loan from BPH Bank (Globis Wroclaw)	28,454	12,861
Loan from ING (Nothus)	17,676	6,866
Loan from ING (Zefirus)	17,676	-
Loan from ING (Platinium 1)	20,622	10,290
Loan from ING (Platinium 2)	20,622	-
Loan from Eurohypo (Nefryt)	32,708	4,801
Loan from WBK (Kazimierz office)	6,719	-
Loan from PEKAO (Galeria Jurajska)	34,165	-
Loan from MKB (Centre Point I)	27,301	28,551
Loan from MKB (Centre Point II)	32,015	33,641
Loan from Erste (Metro)	2,800	-
Loan from MKB (Sasad Resort)	10,550	13,510
Loan from MKB (Spiral)	6,275	6,267
Loan from CIB (Reinesance)	6,078	-
Loan from EBRD and Raiffeisen Bank (GTC House)	18,345	19,929
Loan from EBRD and Raiffeisen Bank (19 Avenue)	16,149	-
Loan from EBRD and Raiffeisen Bank (Block 41)	9,730	-
Loan from Unicredit (Felicity)	28,902	-
Loan from RZBR (Rose Garden)	14,380	-
Loan from EBRD (NCC)	15,687	-
Loan from EBRD (Arad)	2,242	-
Loan from MKB and Zagrabecka Banka (Avenue Mall)	47,487	51,250
Loan from EBRD (Stara Zagora)	2,708	-
Loan from Unicredit (GTC Vinohradi)	5,024	-
Loans from minorities in subsidiaries	104,331	56,756
Deferred issuance debt expenses	(2,094)	(1,941)
	926,110	**578,482**

(in thousand of Euro)

23. Long-term loans (continued)

	31 December 2008	31 December 2007
Current portion of long term loans:		
Loan from Aareal Bank (Rodamco CH1)	2,092	1,800
Loan from Aareal Bank (GTC Galeria Kazimierz)	1,572	1,572
Loan from WBK (Globis Poznan)	507	507
Loan from WBK 1 (Galileo)	433	415
Loan from WBK 2 (Newton)	284	181
Loan from WBK 3 (Edison)	372	-
Loan from EUROHYPO (GTC Topaz office)	600	570
Loan from BPH Bank (Globis Wroclaw)	504	-
Loan from ING (Nothus)	324	-
Loan from ING (Zefirus)	324	-
Loan from ING (Platinium 1)	378	-
Loan from ING (Platinium 2)	378	-
Loan from Eurohypo (Nefryt)	330	-
Loan from MKB (Centre Point I)	1,250	1,100
Loan from MKB (Centre Point II)	1,626	1,626
Loan from MKB (Riverloft)	-	4,084
Loan from MKB (Sasad Resort)	21,275	
Loan from MKB (Spiral)	4,007	4,188
Loan from EBRD and Raiffeisen Bank (GTC House)	1,230	1,180
Loan from EBRD and Raiffeisen Bank (19 Avenue)	992	-
Loan from EBRD and Raiffeisen Bank (Block 41)	264	-
Loan from MKB and Zagrabecka Banka (Avenue Mall)	4,410	5,442
Loan from EBRD (NCC)	495	-
Loan from EBRD and Raiffeisen Bank (Green Dream)	5,688	6,702
Loans from minorities in subsidiaries	1,346	1,043
Deferred issuance debt expenses		
	50,681	**30,410**

- 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 2008 was 6.4% (5.9 % in year 2007).
- The carrying amount of assets pledged as collateral for above liabilities as of 31 December 2008 amounts to approximately Euro 1.4 billion.

(in thousand of Euro)

24. Capital and Reserves

As at 31 December 2008, the shares structure was 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/year is presented below:

	31 December 2008	**31 December 2007**
Number of shares as at the beginning of the year	219,372,990	218,031,540
Issuance of shares (series F)	-	1,341,450
Number of shares as at the end of the period/year	**219,372,990**	**219,372,990**

The major shareholder of the Company as of 31 December 2008 was GTC Real Estate Holding N.V. with total number of shares held 101,329,180 which constitute 46.2% of total shares.

There were no dividends distributions during the period.

(in thousand of Euro)

24. Capital and Reserves (continued)

Other shareholders who as of 31 December 2008 held above 5% of the Company shares were as follows:

- ING OFE
- Commercial Union OFE BPH CU WBK

The total expenses related to share based remuneration in the years ended 31 December 2008 and 2007 were Euro 1,573 thousand and Euro 2,340 thousand respectively. Those expenses are included within the Administration expenses.

On 18 March 2008, the Company held an ordinary shareholders meeting. The ordinary shareholder meeting decided that the profit for the year 2007 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 the Company Phantom Shares executable as describe in the tables below:

Series 1

Number of Tranches	Number of Phantom Shares granted	Cumulative Number of Phantom Shares granted	First Exercise Date	Final Exercise Date
1.	350,000	350,000	1 January 2007	31 December 2010
2.	350,000	700,000	1 January 2008	31 December 2010
3.	350,000	1,050,000	1 January 2009	31 December 2010
4.	350,000	1,400,000	1 January 2010	31 December 2010

The Phantom Shares grant the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30–day period prior to the date of delivery to the Company of the exercise notice, and PLN 22.5 per share (adjustable for dividend). As of the granting date the average fair value of shares options amounts to Euro 2.3 per option.

(in thousand of Euro)

24. Capital and Reserves (continued)

Series 2

The final exercise date of the above 600,000 Phantom Shares, before the modification, was 31 December 2010. On 10 September 2008 the final exercise date was extended until 31 December 2013. Other conditions remained unchanged.

Number of Tranches	Number of Phantom Shares granted	Cumulative Number of Phantom Shares granted	First Exercise Date	Final Exercise Date
1.	150,000	150,000	1 January 2007	31 December 2013
2.	150,000	300,000	1 January 2008	31 December 2013
3.	150,000	450,000	1 January 2009	31 December 2013
4.	150,000	600,000	1 January 2010	31 December 2013

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). As of the granting date the average fair value of shares options amounts to Euro 4.3 per option.

Series 3

Number of Tranches	Number of Phantom Shares granted	Cumulative Number of Phantom Shares granted	First Exercise Date	Final Exercise Date
1.	250,000	250,000	1 January 2011	31 December 2014
2.	250,000	500,000	1 January 2012	31 December 2014
3.	250,000	750,000	1 January 2013	31 December 2014
4.	250,000	1,000,000	31 December 2013	31 December 2014

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 35 per share (adjustable for dividend). As of the granting date the average fair value of shares options amounts to Euro 3.8 per option.

(in thousand of Euro)

24. Capital and Reserves (continued)

The Company used Whaley model to calculate the value of options as of the granting date. In the valuation the Company used half year volatility.

The settlement of the phantom shares (cash or equity) is the decision of the supervisory board of the Company. As of 31 December 2008, there was no decision regarding the above.

The key management personnel were granted phantom shares, according to the plan. Phantom shares expenses have been provided for assuming equity payments will be affected.

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

Number of shares	Series B1	Phantom shares series 1	Phantom shares series 2	Phantom shares series 3
Number of options/shares vested as of 31 December 2007	105,000	2,000,000	-	-
Number of options/shares granted in the year (subject to vesting period)	-	-	-	1,000,000
Number of options exercised in the period	(105,000)	-	-	-
Extension of expiry period	-	(600,000)	600,000	
Number of options/shares vested as of 31 December 2008	-	1,400,000	600,000	1,000,000

Reserves are created based on provisions of the Polish Code of commercial companies.

The statutory financial statements of GTC S.A are prepared in accordance with Polish Accounting Standards. Dividends may be distributed based on the net profit reported in the standalone annual financial statements prepared for statutory purposes.

(in thousand of Euro)

25. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Year ended 31 December	
	2008	2007
Net profit after tax (EURO) attributable to equity holders	165,244,000	234,410,000
Weighted average number of shares for calculating basic earnings per share (*)	219,372,990	219,358,249
Basic earnings per share (EURO)	0,75	1.069
Weighted average number of shares for calculating diluted earnings per share (*)	219,815,409	220,419,380
Diluted earnings per share (EURO)	0,75	1.063

	Year ended 31 December	
	2008	2007
Weighted average number of shares for calculating basic earnings per share	219,372,990	219,358,249
Adjustment for phantom shares	442,419	1,061,131
Weighted average number of shares for calculating diluted earnings per share	219,815,409	220,419,380

(in thousand of Euro)

26. Loans granted

	31 December 2008	31 December 2007
Loans granted to AYRAD	21,125	10,203
Loans granted to Joint Ventures by shareholders	31,167	10,057
	52,292	20,260

All loans granted to AYRAD were assigned in January 2009 to the appropriate subsidiary/associate (see note 34).

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

(in thousand of Euro)

27. Proportionate consolidation

the Company proportionally consolidated assets and liabilities of companies where it has a joint control: Rodamco CH1, GTC Galeria Kazimierz, National Commercial Centers B.V. Mercury Commercial Center S.R.L ,Venus Commercial Center S.R.L. , Mars Commercial Center S.R.L. , Beaufort Commercial Center S.R.L. , Fajos S.R.L. Cefin Galati Real Estate S.R.L, YVL, OOO Okkerville, and ZAO Krasny Mayak

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

	31 December 2008	31 December 2007
Cash	6,675	8,202
Non current assets	392,532	269,618
Current assets (other than cash)	6,410	3,549
Long term liabilities	(200,058)	(124,212)
Current liabilities	(11,883)	(7,393)
Net assets	193,676	149,764
Income	68,278	66,893
Expenses	(21,440)	(19,579)
Profit for the year	46,838	47,314

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 moths 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).

In January 2009, GTC and AYRAD signed an agreement. According to the agreement GTC purchased all shares in its subsidiaries and associates held by AYRAD, assume all liabilities of the subsidiaries and associates to AYRAD and offset them against AYRAD liabilities to the Company, and cancel co-investment rights of AYRAD in existing or new subsidiaries. In consideration the Put Option ceased to exist and GTC shall pay AYRAD Euro 17.6 million (see note 34).

(in thousand of Euro)

29. Related party transactions

Service and consultancy fees relate to management services provided by GTC Holdings, 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 2008	Year ended 31 December 2007
Transaction		
Service and consultancy fees from parent/ultimate parent	772	324
Consultancy fees relating to interest in Galeria Mokotow (Joint Venture)	383	386
Management fees income from associates	(120)	(120)
Balances		
Loans from GTC Real Estate		-
Loans from minorities in subsidiaries	(21,125)	(10,203)
loans granted to AYRAD	21,125	10,203
loans granted to management board members	-	164
Accruals	1,901	2,160
Payables	-	(174)

Management and Supervisory Board remuneration for the year ended 31 December 2008, amounted to Euro 3,955 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 2007, amounted to Euro 3,613 thousand, 105,000 shares at an average price of PLN 0.1, and 500,000 phantom shares.

(in thousand of Euro)

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, 34).

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.

In January 2009, following an agreement between the Company and AYRAD the above-mentioned rights and obligations ceased to exist (see notes 28 and 34)

30. Goodwill

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

	31 December 2008	31 December 2007
GTC Hungary	1,343	2,686
GTC Romania	-	5,297
	1,343	7,983

The decrease of goodwill in the year ended 31 December 2008 relates to the revaluation of investment properties under construction to fair value.

31. Commitments and Guarantees

As of 31 December 2008 and 31 December 2007, the Group had commitments contracted for in relation to future building construction, amounting to Euro 470 million (not audited) and Euro 256 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 2008 and 31 December 2007, the GTC gave guarantees to third parties in relation to secure cost overrun and loans of its subsidiaries. The guarantees granted amounted to Euro 120 million and Euro 43 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.

(in thousand of Euro)

32. Financial instruments and risk management (continued)

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

	31 December 2008	**31 December 2007**
50bp increase in Euribor rate	(987)	(1,550)
50bp decrease in Euribor rate	987	1,550

	31 December 2008	**31 December 2007**
50bp increase in Libor rate	(22)	439
50bp decrease in Libor rate	22	(439)

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:

	2008 USD/Euro				**2007 USD/Euro**			
	+10%	**+5%**	**-5%**	**-10%**	**+10%**	**+5%**	**-5%**	**-10%**
Cash and cash equivalents	320	160	(160)	(320)	10,810	5,405	(5,405)	(10,810)
Short term deposit	138	69	(69)	(138)	(107)	54	(54)	(107)

	2008 PLN/Euro				**2007 PLN/Euro**			
	+10%	**+5%**	**-5%**	**-10%**	**+10%**	**+5%**	**-5%**	**-10%**
Cash and cash equivalents	3,182	1,591	(1,591)	(3,182)	2,883	1,442	(1,442)	(2,883)
Trade and other receivables	1,674	837	(837)	(1,674)	2,298	1,149	(1,149	(3,529)
Trade and other payables	(4,930)	(2,465)	2,465	4,930	(3,147)	(1,574)	1,574	3,147
Long term loans	(27,560)	(13,780)	13,780	27,560	(22,333)	(11,167)	11,167	22,333

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

(in thousand of Euro)

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.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.

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.

Repayments of long-term debt are scheduled as follows:

	31 December 2008	31 December 2007
First year	50,681	30,410
Second year	41,267	21,925
Third year	47,603	16,677
Fourth year	45,053	16,796
Fifth year	139,516	38,976
Thereafter	550,556	415,782
Not yet determined	104,209	70,267
	978,885	610,833
Debt issuance expenses	(2,094)	(1,941)
	976,791	608,892

32. Financial instruments and risk management (continued)

The above table does not contain payments relating to derivative instruments and interests payments. Interests on the interest bearing bank loans are payable on monthly or quarterly basis and are calculated using fixed and floating interest rates calculated on the balance of outstanding liability. The Group hedges the interest risk of floating interests rate with derivative instruments. The interest rates payable on the derivative instruments and related loans are presented in note 18 of these consolidated financial statements.

All current liabilities are expected to be settled within a year.

Financial liability to be settled as followings: Euro 17.2 million during 2009, Euro 0.2 million during 2010, and Euro 0.2 million during 2011.

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 3.4 million as of 31 December 2008 (Euro 1.6 million as of 31 December 2007).

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.

(in thousand of Euro)

32. Financial instruments and risk management (continued)

No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.
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%.

	31 December 2008	31 December 2007
Current liabilities	241,693	175,452
Non current liabilities	1,160,788	697,677
Total liabilities	1,402,481	873,129
Total assets	2,558,404	1,861,234
Gearing ratio	55%	47%

33. Other income

	Year ended 31 December 2008	Year ended 31 December 2007
Reversal of impairment (*)	7,879	-
Other	132	2,299
	8,011	2,299

(*) Reversal of impairment refers to value impairment related to land in Konstancin, Poland, which was booked in 2003. Given the significant increase in the land value, the management has decided to reverse the impairment.

34. Subsequent events

In January 2009, GTC and AYRAD signed an agreement. According to the agreement GTC purchased all shares in its subsidiaries and associates held by AYRAD, assume all liabilities of the subsidiaries and associates to AYRAD and offset them against AYRAD liabilities to the Company, and cancel co-investment rights of AYRAD in existing or new subsidiaries. In consideration the Put Option ceased to exist and GTC shall pay AYRAD Euro 17.6 million.

Euro 17.2 million shall be paid during 2009. Remaining Euro 0.4 million will be paid during the years 2010-1011.

34. Subsequent events (continued)

In February 2009 Bank Pekao S.A. ("Bank") restricted unilaterally certain amounts held by GTC on its accounts to secure Bank's exposure related to Cross Currency IRS instruments described in note 18. As of the financial statements issuance date restricted funds amounted to EUR 52.8 million. In GTC's opinion, the Bank had no legal basis to restrict the above-mentioned amount.

As of the financial statements issuance date, both parties discuss the conditions for release of the restricted funds, apart from a EUR 5 million security deposit and certain other collaterals. The above arrangement if finalized will be subject to approval of GTC's Supervisory Board and Bank's Credit Committee.

If such agreement could not be reached within reasonable time and the Bank's actions adversely affect operating activity of GTC, the Management will consider legal steps to protect the interest of the Company and its shareholders.

Subsequent to balance sheet date the global crisis continued to have its impact on global real estate markets. This may have an adverse impact on the fair values of completed investment properties and investment properties under construction.

35. Remuneration of auditor

The financial reports are audited by Ernst Young.

The audit fees for the year ended 31 December 2008 and 31 December 2007 amount to Euro 811 thousand and Euro 740 thousand respectively.

36. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 2 March 2009.