GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009
WITH THE INDEPENDENT AUDITOR'S OPINION

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2009
(in thousands of Euro)

	Note	*31 December 2009*	*31 December 2008*
ASSETS			
Non current assets			
Investment property	17	1,971,915	1,827,789
Property, plant and equipment	16	1,119	1,350
Investment in associates	19	49,482	44,869
Loans granted and other receivables	28	53,990	52,292
Deferred tax asset	15	5,420	3,229
Long-term deposits	22	1,250	-
Goodwill	32	-	1,343
Other non-current assets		87	559
		2,083,263	**1,931,431**
Current Assets			
Inventory	18	270,848	322,012
Advances to contractors		7,898	26,915
Debtors		8,013	3,094
Accrued income		2,188	3,257
VAT and other tax recoverable		32,044	38,243
Income tax recoverable		1,163	2,355
Prepayments, deferred expenses		2,139	3,631
Short-term deposits	22	29,375	26,704
Cash and cash equivalents	23	185,648	200,762
		539,316	**626,973**
TOTAL ASSETS		**2,622,579**	**2,558,404**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2009
(in thousands of Euro)

	Note	*31 December 2009*	*31 December 2008*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	26	4,741	4,741
Share premium		214,280	214,280
Capital reserve		16,296	13,056
Hedge reserve		(37,807)	(32,547)
Foreign currency translation		143	4,537
Accumulated profit		766,567	894,866
		964,220	**1,098,933**
Minority Interest		46,511	56,990
Total Equity		**1,010,731**	**1,155,923**
Non current Liabilities			
Long-term portion of long-term loans and Bonds	25	1,234,037	926,110
Deposits from tenants		4,826	3,055
Long term payable	24	1,361	8,938
Derivatives	20	62,491	67,856
Financial liability	30	200	400
Provision for deferred tax liability	15	117,339	154,429
		1,420,254	**1,160,788**
Current liabilities			
Trade and other payables	21	85,596	109,632
Current portion of long-term loans	25	59,651	50,681
Financial liability	30	200	17,200
Current portion of long term payable	24	5,400	3,625
VAT and other taxes payable		1,371	3,163
Income tax payable		4,492	870
Derivatives	20	14,284	5,163
Advances received		20,600	51,359
		191,594	**241,693**
TOTAL EQUITY AND LIABILITIES		**2,622,579**	**2,558,404**

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2009
(in thousands of Euro)

	Note	Year ended 31 December 2009	Year ended 31 December 2008
Revenues from operations	7	156,362	114,539
Cost of operations	8	(71,172)	(51,878)
Gross margin from operations		**85,190**	**62,661**
Selling expenses	9	(5,040)	(4,325)
Administration expenses	10	(20,050)	(18,096)
Profit (loss) from revaluation/ impairment of assets	14	(172,252)	235,620
Other income	13	1,913	8,011
Other expenses	13	(11,909)	-
Profit (loss) from continuing operations before tax and finance income / (expense)		**(122,148)**	**283,871**
Foreign exchange differences loss, net		(3,085)	(9,546)
Interest income		7,169	12,794
Financial income/(expense), net	11	(44,241)	(18,167)
Share of profit (loss) of associates	19	(2,516)	(1,041)
Profit (loss) before tax		**(164,821)**	**267,911**
Taxation	15	25,381	(78,813)
Profit (loss) for the year		**(139,440)**	**189,098**
Attributable to:			
Equity holders of the parent		(128,299)	165,244
Minority interest		(11,141)	23,854
Basic earnings per share (Euro)	27	(0.58)	0.75
Diluted earnings per share (Euro)	27	(0.58)	0.75

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

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009
(in thousands of Euro)

	31 December 2009	31 December 2008
Profit (loss) for the period/year	**(139,440)**	**189,098**
Gain/(loss) on hedge transactions	(6,464)	(40,645)
Income tax	1,204	7,686
Net gain/loss on hedge transactions	**(5,260)**	**(32,959)**
Exchange differences on translation of foreign operations	(5,325)	7,400
Total comprehensive income for the period/year, net of tax	**(150,025)**	**163,539**
Attributable to:		
Equity holders of the parent	(137,953)	138,689
Minority interest	(12,072)	24,850

The accompanying notes are an integral part of this consolidated Statement of Comprehensive Income

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2009
(in thousand 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 2008	**4,741**	**214,280**	**11,483**	**412**	**(1,867)**	**729,622**	**958,671**	**29,434**	**988,105**
Other comprehensive income	-	-	-	(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 comprehensive income for the year	-	-	-	**(32,959)**	**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**
Other comprehensive income				(5,260)	(4,394)		(9,654)	(931)	(10,585)
Profit for the year ended 31 December 2009						(128,299)	(128,299)	(11,141)	(139,440)
Total comprehensive income for the year	-	-	-	**(5,260)**	**(4,394)**	**(128,299)**	**(137,953)**	**(12,072)**	**(150,025)**
Issuance of shares to minority								1,593	1,593
Share based payment			3,240				3,240		3,240
Balance as of 31 December 2009	**4,741**	**214,280**	**16,296**	**(37,807)**	**143**	**766,567**	**964,220**	**46,511**	**1,010,731**

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

Globe Trade Centre S.A.
Consolidated Cash Flow Statement
for the year ended 31 December 2009
(In thousands of Euro)

		Year ended 31 December 2009	Year ended 31 December 2008 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before tax		(164,821)	267,911
Adjustments for:			
Revaluation/Impairment of assets		172,252	(243,499)
Share of (profit) loss of associates		2,516	1,041
Foreign exchange differences loss, net		3,085	9,546
Finance income		(7,169)	(12,794)
Finance expenses		44,241	18,167
Share based payment		3,240	1,573
Depreciation and amortization		430	461
Operating cash before working capital changes		**53,774**	**42,406**
Decrease/(increase) in debtors and prepayments and other current assets		8,298	(18,822)
Increase in short term deposits		3,202	-
Increase in inventory		4,515	(89,744)
Increase/(decrease) in advances received		(31,369)	(11,141)
Increase/(decrease) in trade and other payables		(7,332)	(5,577)
Cash generated from/ (used in) operations		31,088	(82,878)
Tax paid in the period		(7,689)	(3,607)
Net cash from (used) in operating activities		**23,399**	**(86,485)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of non current assets		(267,708)	(325,291)
Sale of non current assets			713
Sale of shares in subsidiaries, net of cash disposed of	(b)	5,081	-
Acquisition of newly consolidated subsidiaries, net of cash acquired	(a)		(49,862)
Purchase of shares in associates			(3,545)
Purchase of shares in subsidiaries		(27,948)	-
Interest received		7,059	11,852
Lease origination expenses		(1,829)	(2,583)
Loans granted		(22,788)	(48,023)
Loans repayments			1,602
Increase in short term deposits			(1,973)
Decrease in short term deposits for investing		8,382	-
Net cash used in investing activities		**(299,751)**	**(417,110)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of share to minority		1,593	-
Proceeds from long-term borrowings		418,065	466,535
Repayment of long-term borrowings		(93,266)	(58,924)
Proceeds/ (repayments) of short-term loan		-	(2,723)
Interest paid		(37,693)	(35,806)
Loans origination cost		(1,370)	(3,156)
Increase in short term deposits for financing		(12,657)	-
Deposits received from tenants		1,179	947
Net cash from financing activities		**275,851**	**366,873**
Effect of foreign currency translation		**(14,613)**	**(8,146)**
Net decrease in cash and cash equivalents		**(15,114)**	**(144,868)**
Cash and cash equivalents, at the beginning of the year		**200,762**	**345,630**
Cash and cash equivalents, at the end of the period/year		**185,648**	**200,762**

(*) restated (see note 35)

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

(In thousands of Euro)

(a) Acquisition of newly consolidated subsidiaries, net of cash acquired

	Year ended 31 December 2009	Year ended 31 December 2008
Real estate under construction	-	53,845
Investment property	-	3,766
Acquisition of majority shares in associates	-	(4,403)
Inventory	-	2,706
Working capital	-	(3,187)
Minority interests	-	(2,706)
Total Fair Value of Assets Acquired	**-**	**50,021**
Cash in subsidiary acquired	-	(159)
Total paid net of cash acquired	**-**	**49,862**

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

	Year ended 31 December 2009	Year ended 31 December 2008
Investment property	8,517	-
Working capital	(196)	-
Total Fair Value of Assets sold	**8,321**	**-**
Long term receivable	(3,240)	
Cash in subsidiary disposed of	-	-
Total received net of cash disposed of	**5,081**	**-**

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 2009 and 2008 the number of full time equivalent working in the Group companies was 164 and 180 respectively.

In addition as of 31 December 2009 and 2008 the company hires services of 33 and 30 maintenance staff.

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

GTC is listed on the Warsaw Stock exchange.

The major shareholder of the Company as of 31 December 2009 was GTC Real Estate Holding N.V ("GTC Real Estate Holding"). with total number of shares held 94,629,180 which constitute 43.1% of total shares. The ultimate parent of the Company is Kardan N.V of the Netherlands.

2. Functional and reporting currencies

The currency of Polish economy is the Polish Zloty.

The functional currency of GTC Group is Euro. The functional currency of some of GTC's subsidiaries is a currency different from 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 period. All resulting exchange differences are classified in equity as "Foreign currency translation" without affecting earnings for the period.

3. Basis of presentation and changes in accounting policies

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.

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.

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

Impairment of assets

The carrying value of assets is periodically reviewed by Management to determine whether impairment may exist. Based upon its most recent analysis, management believes that no material impairment of assets exists as of 31 December 2009.
Goodwill impairment is tested periodically. Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generated units, to which the goodwill relates.

The Group applied to these consolidated financial statements for the year ended 31 December 2009 all International Financial Reporting Standards (IFRS), as adopted by EU, effective for accounting periods beginning on or after 1 January 2009.

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:

- IFRS 8 Operating segments which replaced IAS 14 Segment reporting. IFRS 8 introduces a management reporting approach to the identification and measurement of the operating segments results. The new standard had no impact on Company's financial statements.
- IAS 1 Presentation of Financial Statements (revised in September 2007) – The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company decided to present all income and expense items in two separate statements.
- IAS 23 Borrowing costs (revised in March 2007) – the revised Standard requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset. The Company's accounting policy is in line with the revised standard requirements.

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

- IFRS 2 Share-based payment: Vesting Conditions and Cancellations – the Standard has been amended to clarify the definition of a vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of these amendments did not have an impact on the financial position or performance of the Company.
- Amendments to IAS 32 and IAS 1: Puttable financial instruments at fair value – the standard has been revised to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have an impact on the financial position or performance of the Company.
- Interpretation IFRIC 13 Customer Loyalty Programs- interpretation requires customer loyalty credits to be accounted as separate component of the sales transaction in which they are granted. The adoption of this interpretation did not have an impact on the financial position or performance of the Company.
- 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. The adoption of these amendments did not have an impact on the financial position or performance of the Company as the Company has no investments in other entities.
- Amendments to IFRS 7 Financial Instruments: Disclosures about fair value and liquidity risk - effective for financial years beginning on or after 1 January 2009. The adoption of these amendments did not have an impact on the financial position or performance of the Company.
- Amendment to IAS 39 for embedded derivatives on reclassifications of financial assets. The adoption of these amendments did not have an impact on the financial position or performance of the Company.
- IFRIC 15 Agreements for the Construction of Real Estate - effective for financial years beginning on or after 1 January 2009. Due to the fact that the Group has already followed the provisions of this interpretation, the adoption of it did not have any impact on the financial performance of the Group.
- Improvements to IFRSs – effective for financial years beginning on or after 1 January 2009.

Amendments to existing standards and new regulations

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

- IFRS 3R Business Combinations (revised in January 2008) – effective for financial years beginning on or after 1 July 2009,
- Amendments to IAS 27 Consolidated and Separate Financial Statements (issued in January 2008) – effective for financial years beginning on or after 1 July 2009,

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

- 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,
- 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 EU till the date of approval of these financial statements,
- IFRS 1R Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (revised in July 2009) - effective for financial years beginning on or after 1 January 2010,
- IFRS 2 Amendments relating to group cash-settled share-based payment transactions - effective for financial years beginning on or after 1 January 2010 - it has not been endorsed by EU till the date of approval of these financial statements,
- IFRS 9 Financial Instruments - Classification and Measurement - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by EU till the date of approval of these financial statements,
- IAS 24 Related Party Disclosures - Revised definition of related parties - effective for financial years beginning on or after 1 January 2011 - it has not been endorsed by EU till the date of approval of these financial statements,
- IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues - effective for financial years beginning on or after 1 February 2010 - it has not been endorsed by EU till the date of approval of these financial statements,
- IFRIC 12 Service Concession Arrangements – effective for annual periods beginning on or after 1 January 2008 – the interpretation has been endorsed by the EU, however according to the EU regulation the entities shall apply IFRIC 12 at the latest, for annual periods beginning after March 2009,
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirments and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1 January 2011 - it has not been endorsed by EU till the date 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 EU till the date of approval of these financial statements,
- IFRIC 18 transfers of Assets from Customers - effective on or after 1 July 2009,
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - effective for financial years beginning on or after 1 July 2010,
- 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 2009,
- Embedded derivatives – changes to IFRIC 9 and IAS 39 – effective for financial years ended on or after 30 June 2009.

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

- Improvements to IFRSs (issued in April 2009) – some improvements are effective for annual periods beginning on or after 1 July 2009, the rest is effective for annual periods beginning on or after 1 January 2010 – it has not been endorsed by EU till the date of approval of these financial statements,

Management does not expect the introduction of the above-mentioned amendments and interpretations, which endorsed by EU, to have a significant effect 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.

(b) Property, Plant and Equipment

Property, plant and equipment consist of vehicles and equipment. Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for 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.

(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 reporting 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.

4. Accounting Policies (continued)

Completed investment properties were externally valued by independent appraiser as of 31 December 2009 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

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 recoverable amount.

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).

4. Accounting Policies (continued)

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). 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.

(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.

4. Accounting Policies (continued)

(e) Investment in associates

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

(f) Investment in jointly controlled entities

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

(g) Put option granted to minority

Put option granted to minority is recognised as financial liability.

Financial liability is recognized at its estimated fair value. Any subsequent effects of re-measurement of the financial liability are accounted for through the income account.

(h) Lease origination costs

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

4. Accounting Policies (continued)

(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 revenue as described below in note 4(m).

(k) Rental revenue

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

(l) Interest and dividend income

Interest income is recognised on an accrual basis.

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

4. Accounting Policies (continued)

(m) Contract revenue and costs recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues comprise amounts received or receivable, net of Value 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 significant 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 reporting 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 reporting 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 reporting 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. 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	Statement of financial position 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
	Deposits from tenants	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 other comprehensive income (effective portion) / adjusted to income statements (ineffective
Held for trading	Interest Rate collars	Fair value- adjusted to income statements

4. Accounting Policies (continued)

Financial assets and liabilities are fair valued using quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Group recognises a financial asset and financial liability in its statement of financial position, 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 under an arrangement. A financial liability should be removed from the statement of financial position 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 reporting 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, and subsidiaries are not considered businesses) the difference between the consideration paid/payable and the carrying amount of non-controlling interest is recognised in 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 in the statement of financial position 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:

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) (ii).

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 thousands of Euro)

5. Investment in Subsidiaries, Associates and Joint Ventures

The consolidated financial statements include the financial statements of the company, its subsidiaries and jointly controlled entities listed below together with direct and indirect ownership of these entities as at the end of each period (the table presents the effective stake):

Name	Holding Company	Country of incorporation	31 December 2009	31 December 2008
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 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.

(In thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2009	31 December 2008 **
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
Budapest Properties B.V.	GTC Hungary	Netherland	100%	-
Budapest Investments B.V.	GTC Hungary	Netherland	100%	-
Budapest Offices B.V.	GTC Hungary	Netherland	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%
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%	100%
Immo Buda Kft.	GTC Hungary	Hungary	100%	100%
Szemi Ingatlan Ltd.	GTC Hungary	Hungary	100%	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%	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%	50%
GTC Development Service Spb	GTC Russia	Russia	100%	100%
OOO Okkerville (*)	YVL	Russia	50%	100%
ZAO Krasny Mayak (*)	YVL	Russia	50%	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%	70%
GTC Hill S.R.O	GTC Slovakia	Slovakia	70%	70%
GTC Vinohradis Villas S.R.O	GTC Slovakia	Slovakia	70%	70%
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 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.

(In thousands of Euro)

Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2009	31 December 2008 **
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%	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. ("BCG")	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	63.6%	63.6%
Cefin Galati Real Estate S.R.L	National Commercial Centers B.V.	Romania	63.9%	63.9%
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 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.

(In thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2009	31 December 2008 **
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	100%	66.7%
Galeria Varna JSC	Galeria Ikonomov GmbH	Bulgaria	65%	65%
GTC Business Park EAD	GTC Bulgaria	Bulgaria	100%	100%
NRL EAD	GTC Bulgaria	Bulgaria	100%	100%
Galeria Ikonomov GmbH	GTC Bulgaria	Austria	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	95%	95%
Demo Invest d.o.o	GTC Commercial Centres d.o.o	Serbia	100%	100%
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 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.
*** The company acquired the remaining 33.3% shares in October 2009 (see note 6)
**** Liquidated

(In thousands of Euro)

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

Investment in Associates

Name	Holding Company	Country of incorporation	31 December 2009	31 December 2008 *
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%
Europort Investment (Cyprus) 1 Limited	GTC Ukraine	Cyprus	49,9%	49,9%
Europort LTD	Emerging investment	Israel	10%	10%

* 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.

6. Events in the period

In January 2009, GTC and Eli Alroy, or a company controlled by him (“AYRAD”) signed an agreement. According to the agreement, GTC purchased all shares in its subsidiaries and associates, and assumed all liabilities of the subsidiaries and associates, offset them against AYRAD liabilities to the Company, and cancelled AYRAD`s co-investment rights. In consideration the Put Option ceased to exist and GTC shall pay AYRAD Euro 17.6 million.

Euro 17.2 million was paid during 2009. Remaining Euro 0.4 million will be paid during the years 2010-2011.

In May 2009, Bank Pekao S.A. (“Bank”) and the Company signed agreement in which, the Company keeps security deposit (which can be decreased if the PLN/EUR rate will be decreased) and certain other mortgage collaterals, to secure Bank’s exposure related to Cross Currency IRS instruments. As of 31 December 2009, Euro 10 million has been kept as security deposit.

In August 2009, The Company and Unibail Rodamco, each of them holds 50% of Rodamco CH1 sp.zo.o.- a company, which holds Galeria Mokotow Shopping Center in Warsaw, concluded a EUR 205m refinancing loan agreement with the consortium of German banks (“Berlin Bank”). The loan will bear interest based on Euribor + margin p.a., with maturity of 5-7 years, at the Company's option.

On 31 September 2009, the Company completed the construction of Galeria Jurajska shopping centre.

In October 2009, the Company has purchased the remaining 33% of the share of Galeria Burgas JSC in consideration of Euro 6.3 Million. As a result all the shares of Galeria Burgas JSC are held by the Company.

In October 2009, BCG purchased 15% of the shares of City Gate Bucharest S.R.L and City Gate S.R.L (see note 13).

(In thousands of Euro)

7. Revenue from operations

Revenue from operations comprises of the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Rental revenue	96,233	72,084
Residential revenue	60,129	42,455
	156,362	114,539

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 2009 amounts to approximately Euro 416 million and (Euro 466 million as of 31 December 2008), of which approximately Euro 79 million and (Euro 84 million) is due within one year, Euro 236 million and (Euro 228 million) is due within one to five years, and Euro 101 million and (Euro 154 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 2009	Year ended 31 December 2008
Rental costs	22,325	18,561
Residential costs	48,847	33,317
	71,172	51,878

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

(In thousands of Euro)

9. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Brokerage and similar fees	949	171
Advertising	3,413	3,447
Payroll and related expenses	678	707
	5,040	4,325

10. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Payroll, management fees and other expenses	11,552	11,250
Share based payments	3,240	1,573
Office expenses	1,015	1,084
Audit, legal and other advisers	3,388	3,345
Shopping centre management fee	425	383
Depreciation and amortisation	430	461
	20,050	18,096

11. Other financial expenses, net

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

	Year ended 31 December 2009	Year ended 31 December 2008
Interest and other expenses, net		
- interest expenses (on financial liabilities that are not at fair value through profit or loss)	(42,781)	(35,562)
- change in fair value of financial instruments (derivatives)	(1,460)	15,840
- change in fair value of financial liability (on financial liabilities that are not at fair value through profit or loss)	-	1,555
	(44,241)	(18,167)

12. Segmental analysis

The Company's operating segments are carried out through subsidiaries develops real estate projects.
The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. Reportable segments are divided into two main segments:

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

The activities carried out in the above mentioned operating segments are conducted in the following geographical zones, which has common characteristics:

a. CE3 countries (Poland and Hungary)
b. Romania and Bulgaria
c. Other CEE countries (Serbia, Croatia, Ukraine, Slovakia, and Russia)

Management monitors the operating results of its business units for the purposes of making performance assessment and decision making. Operating segment performance is evaluated based on gross margin from operations.
The resource allocation decisions made by the management are based on analysis of the same segments as for financial reporting purposes.

(In thousands of Euro)

12. Segmental analysis (continued)

Segment analysis for the year ended 31 December 2009 and 31 December 2008 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	Year 2009	Year 2008	Year 2009	Year 2008	Year 2009	Year 2008	Year 2009	Year 2008
Rental income	66,654	49,838	1,294	214	28,285	22,032	96,233	72,084
Contract income	29,313	8,109	23,312	11,782	7,504	22,564	60,129	42,455
Total income	95,967	57,947	24,606	11,996	35,789	44,596	156,362	114,539
Rental costs	12,823	12,950	3,488	563	6,014	5,048	22,325	18,561
Contract costs	23,605	6,154	18,355	8,887	6,887	18,276	48,847	33,317
Total costs	36,428	19,104	21,843	9,450	12,901	23,324	71,172	51,878
Rental result	53,831	36,888	(2,194)	(349)	22,271	16,984	73,908	53,523
Contract result	5,708	1,955	4,957	2,895	617	4,288	11,282	9,138
Total result	59,539	38,843	2,763	2,546	22,888	21,272	85,190	62,661
Unallocated corporate expenses		-		-		-	(35,086)	(13,957)
Revaluation/impairment of investment property	(106,927)	144,253	(27,459)	79,604	(37,866)	11,763	(172,252)	235,620
Profit from continuing operations before tax and financial related income/(expenses)	-	-	-	-	-	-	(122,148)	283,871
Foreign currency translation gain (loss), net	-	-	-	-	-	-	(3,085)	(9,546)
Interest income	-	-	-	-	-	-	7,169	12,794
Other interest expense and similar charges, net	-	-	-	-	-	-	(44,241)	(18,167)
Profit on sale of subsidiaries								
Share of profit/(loss) from associates	-	-	-	-	-	-	(2,516)	(1,041)
Taxation	-	-	-	-	-	-	25,381	(78,813)
Profit for the year	-	-	-	-	-	-	(139,440)	189,098
Minority interest	-	-	-	-	-	-	(11,141)	23,854
Equity holders of the parent	-	-	-	-	-	-	(128,299)	165,244

(In thousands of Euro)

12. Segmental analysis (continued)

Segment analysis as of 31 December 2009 and 31 December 2008 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Segment assets								
Allocated assets rental	1,183,762	1,194,573	444,970	306,042	432,383	453,951	2,061,115	1,954,566
Allocated assets residential	67,416	117,404	175,787	171,393	62,957	55,403	306,160	344,199
Unallocated assets	233,994	183,966	10,516	52,092	10,794	23,580	255,303	259,639
Total assets	1,485,172	1,495,943	631,273	529,527	506,134	532,934	2,622,579	2,558,404
Segment liabilities								
Allocated liabilities rental	55,972	117,389	71,204	45,265	65,209	65,271	192,385	227,925
Allocated liabilities residential	106,696	71,434	30,742	17,395	10,574	7,949	148,012	96,778
Unallocated liabilities	934,166	441,259	187,552	322,730	149,733	313,789	1,271,452	1,077,778
Total liabilities	1,096,834	630,082	289,498	385,390	225,515	387,009	1,611,848	1,402,481
Capital expenditures	135,091	175,620	114,243	103,794	18,374	45,872	267,708	325,286
Depreciation	159	128	95	88	177	245	430	461

(In thousands of Euro)

13. Other expenses and other income

Other expenses

	Year ended 31 December 2009	Year ended 31 December 2008
Purchase of shares in City Gate (see below)	9,800	-
Other	2,109	-
	11,909	-

In July 2006 the Company, City Gate Bucharest S.R.L, City Gate S.R.L ("Project Companies") signed with third party a framework agreement for developing an office building in Bucharest (City Gate office building).
In accordance with the agreement, the Project Companies` shareholders ("BCG") undertake to transfer to the third party 15% of the shares of the project company's shares and the third party undertakes to transfer the concession rights of the land to the Project Companies.

The conditions have been fulfilled and the 15% stake has been transferred.

In addition, as part of the amended framework agreement, the parties have agreed that BCG will grant a Put option to the third party with respect to the 15% it owns in the Project Companies. The option can be exercised during a 12 months period following the completion of the construction of the City Gate project, as stipulated in the agreement.

In October 2009, BCG purchased 15% of the shares of City Gate Bucharest S.R.L and City Gate S.R.L from the third party, for the amount of Euro 9.8 million and the option ceased to exist.

Other income

	Year ended 31 December 2009	Year ended 31 December 2008
Reversal of impairment (*)		7,879
Other	1,913	132
	1,913	8,011

(*) 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.

(In thousands of Euro)

14. Profit (loss) from revaluation/ impairment of assets

Profit (loss) from revaluation/ impairment of assets comprises the followings:

	Year ended 31 December 2009	Year ended 31 December 2008
Fair value of investment property	(127,975)	235,620
Write down of inventory to net realisable value, which was presented at cost	(10,777)	-
Impairment of investment property, which were presented at cost	(33,500)	-
	(172,252)	**235,620**

The continuing volatility in the global financial system is reflected in the instability in commercial real estate markets across the world. The significant reduction in transaction volumes continued this year. Therefore, in arriving at their estimates of market values as at 31 December 2009, the valuers have used their market knowledge and professional judgment and have not relied solely on historic transaction comparables. In these circumstances, there is a greater degree of uncertainty in estimating the market values of investment property than the one which exists in more active markets..

During the year the Company recognized losses from revaluation of investment properties and impairment of assets, which were presented at cost.

The loss derived mainly from: yield expansion, and decrease in Estimated future Rental Value “ERV” .

(In thousands of Euro)

15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Current tax expense	12,657	5,129
Deferred tax (credit)/expense	(38,038)	73,684
	(25,381)	78,813

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

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

	Year ended 31 December 2009	Year ended 31 December 2008
Accounting profit before tax	(164,821)	267,911
Accounting profit at the applicable tax rate in each country of activity	(26,505)	47,225
Tax effect of expenses/(income) that are not deductible in determining taxable profit	3,967	4,954
Share of profit in associates	(540)	(198)
Tax effect of foreign currency differences	(8,616)	23,471
Other	(295)	-
Previous years tax	(1,716)	1,528
Unrecognised deferred tax asset (recognised asset which was not accounted for in the past)	8,324	1,833
Tax expense / (income)	(25,381)	78,813

(In thousands of Euro)

15. 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 2008	Credit / (charge) to income statement	As of 31 December 2008	Credit / (charge) to income statement	As of 31 December 2009
Financial instruments	6,122	(4,166)	1,956	(1,956)	-
Tax loss carry forwards	3,387	(2,475)	912	1,459	2,371
Basis differences in non-current assets	667	(667)	-	3,049	3,049
Basis differences in inventory	1,826	(1,826)			
Other	390	(29)	361	(361)	-
Total	**12,392**	**(9,163)**	**3,229**	**2,191**	**5,420**
Valuation reserve	(1,681)	1,681	-	-	-
Net deferred tax assets	**10,711**	**(7,482)**	**3,229**	**2,191**	**5,420**

Deferred tax liability comprises of the following:

	As of 1 January 2008	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2008	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2009
Tax loss carry forwards	1,680	-	4,115	-	5,795	-	749	-	6,544
Other	(251)		(908)	-	(1,159)		(977)		(2,136)
Financial instruments	(1,683)	6,360	(7,207)	(4,255)	(6,785)	1,205	7,198	(535)	1,083
Basis differences in non-current assets	(87,935)	-	(67,263)	3,349	(151,849)	-	28,397	573	(122,879)
Depreciation	(3,698)	-	3,698	-	-				
Contract margin recognition	(1,291)	-	860	-	(431)		480		49
Basis differences in inventory	(503)	-	503	-	-				
Net deferred tax liability	**(93,681)**	**6,360**	**(66,202)**	**(906)**	**(154,429)**	**1,205**	**35,847**	**38**	**(117,339)**

(In thousands of Euro)

15. Taxation (continued)

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

Tax rate	Year ended 31 December 2009	Year ended 31 December 2008
Poland	19%	19%
Hungary	20%	20%
Ukraine	25%	25%
Bulgaria	10%	10%
Slovakia	19%	19%
Serbia	10%	10%
Croatia	20%	20%
Romania	16%	16%
Cyprus	10%	10%
The Netherlands	25.5%	25.5%

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 2009 and 2008 available in the amount of Euro 60,877 and Euro 40,958 thousand. Tax losses can be utilized up to maximum 9 years, depending on tax jurisdiction.

(In thousands of Euro)

16. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2009 and 31 December 2008 was as follows:

	Equipment	Vehicles	Construction in Progress (*)	Total
Cost				
As of 1 January 2008	1,406	1,010	285,036	287,452
Acquisition of subsidiaries			53,845	53,845
Additions	227	264	357,429	357,920
Disposals		(84)		(84)
Transfers to investment property			(696,310)	(696,310)
Translation 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
Disposals		(83)		(83)
Translation differences				
As at 31 December 2008	1,008	465		1,473
Net book value as at 31 December 2008	625	725		1,350
Cost				
As of 1 January 2009	1,633	1,190		2,823
Acquisition of subsidiaries				
Additions	138	81		219
Disposals and other decreases		(55)		(55)
Transfers to investment property				
Foreign exchange differences				
As at 31 December 2009	1,771	1,216	-	2,987
Accumulated Depreciation				
As of 1 January 2009	1,008	465		1,473
Charge for the period	184	246	-	430
Disposals		(35)		(35)
Foreign exchange differences				
As at 31 December 2009	1,192	676	-	1,868
Net book value as at 31 December 2009	579	540		1,119

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

(In thousands of Euro)

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17. 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 2009	Year ended 31 December 2008
Completed investment property	1,457,501	1,143,116
Investment property under construction at fair value	158,290	369,621
Investment property under construction at cost	356,124	315,052
Total	**1,971,915**	**1,827,789**

The movement in investment property for the periods ended 31 December 2009 and 31 December 2008 was as follows:

	Year ended 31 December 2009	**Year ended 31 December 2008**
Carrying amount at beginning of the year	1,827,789	860,933
Additions , including:		
Capitalised subsequent expenditure	319,033	11,273
Purchase of shares in subsidiaries	-	3,766
Transfers to investment property	-	696,310
Brokers fees and other incentives	1,401	2,722
Reversal of impairment	-	7,879
Adjustment to fair value	(161,475)	235,620
Disposals	(8,517)	(713)
Translation differences	(6,316)	9,999
Carrying amount at the end of the year	1,971,915	1,827,789

(In thousands of Euro)

17. Investment Property

Fair value adjustment consists of the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Fair value of properties completed in prior years	(137,951)	32,775
Fair value of newly completed properties	26,752	78,113
Fair value of property under construction	(16,776)	124,732
Impairment adjustment	(33,500)	-
	(161,475)	**235,620**

Assumptions used in the valuations as of 31 December 2009 are, presented on the basis of weighted averages, presented below:

	Poland	Other countries
Completed assets		
Average rental rate per sqm (Eur) (*)	21	20
Yield	7.5%	8.2%
ERV per sqm (Eur) (*)	21	20
Vacancy	4%	19%
Assets under construction (only assets at fair value)		
average yield	N/A	9.3%
Average % complete	N/A	75%

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	23
Yield	6.9%	7.7%
ERV per sqm (Eur) (*)	24	25
Vacancy	1%	18%
Assets under construction		
average yield	7.9%	8.1%
Average % complete	42%	43%

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

(In thousands of Euro)

17. Investment Property

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2009 due to change in underlying 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	27,342	19,979
Change of 5% in estimated rental income	41,284	32,290
Investment property under construction		
Change of 5% in remaining costs	-	3,575
Change of 5% in estimated rental income	-	12,114

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2008 due to change in assumptions

	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 remaining costs	9,977	5,589
Change of 5% in estimated rental income	23,648	13,148

The continued instability in the financial markets causes volatility and uncertainty in the world's capital markets and real estate markets. There is a 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.

Completed assets were revalued based on discounted cash flow approach, assets under construction and impaired assets were revalued based on residual approach.

Certain properties under construction are carried at cost, as pre-letting and / or construction has not yet started. Accordingly, those assets are not yet qualified as assets to be presented at fair value. For those assets, an impairment test was performed. Impairment test conducted on the basis of the residual value method, whereby an average exit yield of 7.5%-9.1% was applied and a developers' profit of 20% was assumed. There is no reason to believe that any further impairment has arisen.

Real estate under construction carried at cost includes borrowing costs incurred in connection with the construction of the projects. As of December 31, 2009 borrowing costs capitalized as real estate under construction amounted to € 4,124 thousand, (2008: € 4,230 thousand). During 2009 interest was capitalized to real estate under construction carried at cost at an average rate of 5%.

(In thousands of Euro)

18. Inventory

Inventory as of 31 December 2009 consists of the following:

	Total cost	Of which land
Completed	47,318	2,258
Under construction	130,388	24,542
In design stage	103,919	86,138
Write down to net realisable value	(10,777)	-
	270,848	112,938

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

	Year ended 31 December 2009	Year ended 31 December 2008
Opening balance	322,012	212,933
Increase	36,732	151,106
Transfers	(28,272)	-
Write down to net realisable value	(10,777)	-
Recognised as cost	(48,847)	(42,027)
Closing balance	270,848	322,012

Borrowing costs capitalized during the years 2009 and 2008 amount to Euro 4,267 thousand and Euro 9,833 thousand respectively.

Management has conducted an impairment test for each of the projects. The estimated sales prices and project costs were discounted at discount rate of 8.5%-10%. The time of completion was assumed to be 2-6 years.

(In thousands of Euro)

19. Investment in associates

The investment in associates comprises the following:

	31 December 2009	31 December 2008
Shares	5,259	7,802
Acquisition/establishment of new associate		3,545
Acquisition of majority shares in associates		(3,000)
Translation differences	(46)	(103)
Equity profit	3,378	2,681
Investment in shares	8,591	10,925
Loans granted	40,891	33,944
Investment in associates	49,482	44,869

The loans finance investments in those associates. The loans and interest 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 (Group's share):

	31 December 2009	31 December 2008
Assets	95,725	85,711
Liabilities	86,333	79,102
	Year ended 31 December 2009	Year ended 31 December 2008
Revenues from operations	24,847	7,495
Profit for the year	(2,516)	1,192

(In thousands of Euro)

20. Derivatives

The Company holds instruments that hedge the risk involved in fluctuations of interest rate and currencies rates.

The movement in derivatives for the periods ended 31 December 2009 and 31 December 2008 was as follows:

	31 December 2009	31 December 2008
Fair value as of beginning of the year	(73,019)	12,449
Charged directly to equity	(6,465)	(40,602)
Charged to income statements	2,709	(44,866)
Fair value as of end of the year end	(76,775)	(73,019)

(In thousands of Euro)

21. Trade and other payables

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

22. Short and long term deposits

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

23. 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.

24. Long term payable

Long term payables consist of the following:

	31 December 2009	31 December 2008
Payable to land owner	6,132	11,572
Other	629	991
Less – current portion	(5,400)	(3,625)
	1,361	8,938

(In thousands of Euro)

25. Long-term loans

Long-term loans comprise the following:

	31 December 2009	31 December 2008
Bonds seria 0414	175,259	172,562
Bonds seria 0412	19,473	19,174
Bonds seria 0513	85,195	83,885
Loan from Berlin and WestImmo Bank (Galeria Mokotow)	102,116	
Loan from Aareal (Rodamco CH1)	-	33,903
Loan from Pekao (Galeria Kazimierz)	44,340	-
Loan from Aareal (Galeria Kazimierz)		33,391
Loan from WBK (Globis Poznan)	17,447	17,954
Loan from WBK 1 (Galileo)	6,215	6,792
Loan from WBK 2 (Newton)	10,639	11,168
Loan from WBK 3 (Edison)	12,597	12,969
Loan from EUROHYPO (Topaz)	13,020	13,620
Loan from BPH Bank (Globis Wroclaw)	28,450	28,958
Loan from ING (Nothus)	17,676	18,000
Loan from ING (Zefirus)	17,676	18,000
Loan from ING (Platinium 1)	20,622	21,000
Loan from ING (Platinium 2)	20,622	21,000
Loan from Berlin Bank (Platinium 3)	13,499	-
Loan from Eurohypo (Nefryt)	32,670	33,038
Loan from WBK (Kazimierz office)	29,646	6,719
Loan from Pekao (Galeria Jurajska)	95,510	34,165
Loan from Berlin (UBP)	12,763	-
Loan from ING (CBK)	11,120	-
Loan from MKB (Centre Point I)	27,251	28,852
Loan from MKB (Centre Point II)	31,954	33,641
Loan from CIB (Metro)	8,993	2,800
Loan from MKB (Spiral)	21,686	10,282
Loan from Erste (Reinesance)	6,109	6,078
Loan from MKB (Sasad Resort)	23,754	31,825
Loan from EBRD and Raiffeisen Bank (GTC House)	18,655	19,882
Loan from EBRD and Raiffeisen Bank (19 Avenue)	16,726	17,715
Loan from EBRD and Raiffeisen Bank (Block 41)	23,600	10,588
Loan from Raiffeisen Bank (Green Dream)	3,199	6,042
Loan from Unicredit (Felicity)	29,442	29,361
Loan from RZBR (Rose Garden)	26,248	14,724
Loan from Alpha (Citygate)	37,911	-
Loan from EBRD and Raiffeisen Bank (NCC)	22,587	19,405
Loan from MKB and Zagrabecka Banka (Avenue Mall)	47,943	52,315
Loan from MKB and OTP (Galeria Varna)	22,354	-
Loan from EBRD and Unicredit (Stara Zagora)	17,782	3,324
Loan from Unicredit (Vinogrady)	11,828	5,024
Loans from minorities in subsidiaries	119,070	105,677
Deferred debt issuance debt expenses	(9,959)	(7,042)
	1,293,688	**976,791**

(In thousands of Euro)

25. Long-term loans (continued)

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

	31 December 2009	31 December 2008
Long term portion of long term loans:		
Bonds seria 0414	175,259	172,562
Bonds seria 0412	19,473	19,174
Bonds seria 0513	85,195	83,885
Loan from Berlin and WestImmo Bank (Galeria Mokotow)	100,757	-
Loan from Aareal Bank (Rodamco CH1)	-	31,811
Loan from Aareal Bank (Galeria Kazimierz)	-	31,819
Loan from Pekao (Galeria Kazimierz)	43,620	-
Loan from WBK (Globis Poznan)	16,940	17,447
Loan from WBK 1 (Galileo)	5,792	6,359
Loan from WBK 2 (Newton)	10,338	10,884
Loan from WBK 3 (Edison)	12,234	12,597
Loan from EUROHYPO (Topaz office)	12,420	13,020
Loan from BPH Bank (Globis Wroclaw)	27,914	28,454
Loan from ING (Nothus)	17,316	17,676
Loan from ING (Zefirus)	17,316	17,676
Loan from ING (Platinium 1)	20,196	20,622
Loan from ING (Platinium 2)	20,196	20,622
Loan from Berlin Bank (Platinium 3)	13,499	-
Loan from Eurohypo (Nefryt)	32,340	32,708
Loan from WBK (Kazimierz office)	29,309	6,719
Loan from Pekao (Galeria Jurajska)	93,606	34,165
Loan from Berlin (UBP)	12,763	-
Loan from ING (CBK)	11,120	-
Loan from MKB (Centre Point I)	25,901	27,602
Loan from MKB (Centre Point II)	30,328	32,015
Loan from CIB (Metro)	8,831	2,800
Loan from MKB (Sasad Resort)	-	10,550
Loan from MKB (Spiral)	17,568	6,275
Loan from Erste (Reinesance)	-	6,078
Loan from EBRD and Raiffeisen Bank (GTC House)	17,179	18,652
Loan from EBRD and Raiffeisen Bank (19 Avenue)	15,650	16,723
Loan from EBRD and Raiffeisen Bank (Block 41)	22,254	10,324
Loan from Unicredit (Felicity)	29,442	29,361
Loan from RZBR (Rose Garden)	26,248	14,724
Loan from Alpha (Citygate)	37,911	-
Loan from EBRD and Raiffeisen Bank (NCC)	21,762	18,910
Loan from MKB and Zagrabecka Banka (Avenue Mall)	43,528	47,905
Loan from MKB and OTP (Galeria Varna)	22,113	-
Loan from EBRD and Unicredit (Stara Zagora)	17,782	3,324
Loan from Unicredit (Vinogrady)	11,828	5,024
Loans from minorities in subsidiaries	117,724	104,331
Deferred debt issuance debt expenses	(9,615)	(6,688)
	1,234,037	**926,110**

(In thousands of Euro)

25. Long-term loans (continued)

	31 December 2009	31 December 2008
Current portion of long term loans:		
Loan from Berlin and WestImmo Bank (Galeria Mokotow)	1,359	
Loan from Aareal Bank (Rodamco CH1)		2,092
Loan from Aareal Bank (Galeria Kazimierz)	-	1,572
Loan from Pekao (Galeria Kazimierz)	720	-
Loan from WBK (Globis Poznan)	507	507
Loan from WBK 1 (Galileo)	423	433
Loan from WBK 2 (Newton)	301	284
Loan from WBK 3 (Edison)	363	372
Loan from EUROHYPO (Topaz)	600	600
Loan from Pekao (Galeria Jurajska)	1,904	-
Loan from BPH Bank (Globis Wroclaw)	536	504
Loan from ING (Nothus)	360	324
Loan from ING (Zefirus)	360	324
Loan from ING (Platinium 1)	426	378
Loan from ING (Platinium 2)	426	378
Loan from WBK (Kazimierz office)	337	-
Loan from Eurohypo (Nefryt)	330	330
Loan from MKB (Centre Point I)	1,350	1,250
Loan from MKB (Centre Point II)	1,626	1,626
Loan from Erste (Reinesance)	6,109	-
Loan from MKB (Sasad Resort)	23,754	21,275
Loan from CIB (Metro)	162	-
Loan from MKB (Spiral)	4,118	4,007
Loan from EBRD and Raiffeisen Bank (GTC House)	1,476	1,230
Loan from EBRD and Raiffeisen Bank (19 Avenue)	1,076	992
Loan from EBRD and Raiffeisen Bank (Block 41)	1,346	264
Loan from MKB and OTP (Galeria Varna)	241	-
Loan from MKB and Zagrabecka Banka (Avenue Mall)	4,415	4,410
Loan from EBRD and Raiffeisen Bank (NCC)	825	495
Loan from Raiffeisen Bank (Green Dream)	3,199	6,042
Loans from minorities in subsidiaries	1,346	1,346
Deferred debt issuance debt expenses	(344)	(354)
	59,651	**50,681**

- Mortgage over the asset together with assignment of the associated receivables and insurance rights.
- GTC consolidates 50% of loans in Galeria Mokotow and Galeria Kazimierz as a result of its 50% ownership in these companies.
- 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 2009 was 5.6% (6.4 % in year 2008).
- The carrying amount of assets pledged as collateral for above liabilities as of 31 December 2009 amounts to approximately Euro 1.7 billion (2008: 1,4 bilion).

(In thousands of Euro)

26. Capital and Reserves

As at 31 December 2009, 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 2009	**31 December 2008**
Number of shares as at the beginning of the year	219,372,990	219,372,990
Issuance of shares (series F)	-	-
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 2009 was GTC Real Estate Holding with total number of shares held of 94,629,180 which constitute 43.1% of total shares.

26. Capital and Reserves (continued)

Other shareholders who as of 31 December 2009 held above 5% of the Company shares were as follows:

- ING OFE
- AVIVA OFE BZ WBK (previously Commercial Union OFE BPH CU WBK)

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.

On 17 March 2009, the Company held an ordinary shareholders meeting. The ordinary shareholder meeting decided that the loss for the year 2008 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with Polish Accounting Standards shall be covered from capital reserve.

(In thousands of Euro)

26. Capital and Reserves (continued)

Phantom shares

Certain key management personnel are entitled to the Company Phantom Shares.

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 settlement price ("strike") amount per share (adjustable for dividend).

As at 31 December 2009, phantom shares issued were as follows:

Series	Number of Phantom Shares	Strike (PLN)	First Exercise Date	Final Exercise Date
1a first	350,000	22.5	1 January 2007	31 December 2012
1a first	350,000	22.5	1 January 2008	31 December 2012
1a latest	350,000	18.15	1 January 2009	31 December 2012
1a latest	350,000	18.15	1 January 2010	31 December 2012
1b first	150,000	22.5	1 January 2007	31 December 2014
1b first	150,000	22.5	1 January 2008	31 December 2014
1b latest	150,000	18.15	1 January 2009	31 December 2014
1b latest	150,000	18.15	1 January 2010	31 December 2014
2	240,000	18.15	1 January 2011	31 December 2015
2	240,000	18.15	1 January 2012	31 December 2015
2	240,000	18.15	1 January 2013	31 December 2015
2	240,000	18.15	1 January 2014	31 December 2015
2	240,000	18.15	1 January 2015	31 December 2015
3	250,000	18.15	1 January 2011	31 December 2012
3	250,000	18.15	1 January 2012	31 December 2012

26. Capital and Reserves (continued)

Series 1a first- On 17 March 2009 the final exercise date of above phantom shares was extended from 31 December 2010 until 31 December 2012. Other conditions remained unchanged.

Series 1a latest- On 17 March 2009 the final exercise date of above phantom shares was extended from 31 December 2010 until 31 December 2012. Strike amount was changed from PLN 22.5 to PLN 18.15. Other conditions remained unchanged.

Series 1b first- On 5 January 2009 the final exercise date of above phantom shares was extended from 31 December 2013 until 31 December 2014. Other conditions remained unchanged.

Series 1b latest- On 5 January 2009 the final exercise date of above phantom shares was extended from 31 December 2013 until 31 December 2014. Strike amount was changed from PLN 22.5 to PLN 18.15. Other conditions remained unchanged.

Series 2- On 5 January 2009 the final exercise date of above phantom shares was extended from 31 December 2014 until 31 December 2015. Strike amount was changed from PLN 35 to PLN 18.15. 200,000 new phantom shares were issued. Other conditions remained unchanged.

Series 3 was issued on 17 March 2009.

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. As of the granting date the average fair value of shares options amounts to Euro 4.40 per option.

The settlement of the phantom shares (cash or equity) is the decision of the supervisory board of the Company. As of 31 December 2009, 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.

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 thousands of Euro)

27. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Net profit (loss) after tax (EURO) attributable to equity holders	(128,299,000)	165,244,000
Weighted average number of shares for calculating basic earnings per share (*)	219,372,990	219,372,990
Basic earnings (loss) per share (EURO)	(0.58)	0.75
Weighted average number of shares for calculating diluted earnings per share (*)	219,659,777	219,815,409
Diluted earnings (loss) per share (EURO)	(0.58)	0.75

	Year ended 31 December 2009	Year ended 31 December 2008
Weighted average number of shares for calculating basic earnings per share	219,372,990	219,372,990
Adjustment for phantom shares	286,787	442,419
Weighted average number of shares for calculating diluted earnings per share	219,659,777	219,815,409

(In thousands of Euro)

28. Loans granted

	31 December 2009	31 December 2008
Loans granted to AYRAD	-	21,125
Loans granted to Joint Ventures by third parties shareholders	53,990	31,167
	53,990	52,292

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

29. 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 2009	**31 December 2008**
Cash	78,367	6,675
Non current assets	372,781	392,532
Current assets (other than cash)	5,178	6,410
Long term liabilities	(291,364)	(200,058)
Current liabilities	(8,740)	(11,883)
Net assets	156,222	193,676
Income	24,118	68,278
Expenses	(48,550)	(21,440)
Profit for the year	(24,432)	46,838

30. 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 income 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 31).

(In thousands of Euro)

31. 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 2009	Year ended 31 December 2008
Transaction		
Service and consultancy fees from parent/ultimate parent	379	705
Consultancy fees to a joint venture partner relating to interest in Galeria Mokotow	425	383
Management fees income from associate companies	(120)	(120)
Balances		
Loans from minorities in subsidiaries	-	(21,125)
loans granted to AYRAD	-	21,125
loans granted to management board members	-	-
Accruals	880	1,901
Financial liability	400	17,600

Management and Supervisory Board remuneration for the year ended 31 December 2009, amounted to Euro 3,679 thousand, and 500,000 phantom shares. 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.

In January 2009, a management board member signed a preliminary agreement in the amount of Euro 485 thousand for the purchase of residential unit in one of the Company's projects.

In January 2009, following an agreement between the Company and AYRAD the above-mentioned rights and obligations ceased to exist (see notes 30 and 6)

(In thousands of Euro)

32. Goodwill

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

	31 December 2009	31 December 2008
GTC Hungary	-	1,343
	-	1,343

The decrease of goodwill in the year ended 31 December 2009 relates to the revaluation of investment properties under construction to fair value.

33. Commitments and Guarantees

As of 31 December 2009 and 31 December 2008, the Group had commitments contracted for in relation to future building construction, amounting to Euro 185 million and Euro 470 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.

GTC gave guarantees to third parties in relation to secure cost overrun and loans of its subsidiaries. As of 31 December 2009 and 31 December 2008, the guarantees granted amounted to Euro 216 million and Euro 120 million.

(In thousands of Euro)

34. 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.

34. Financial instruments and risk management (continued)

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

	31 December 2009	31 December 2008
50bp increase in Euribor rate	(2,859)	(987)
50bp decrease in Euribor rate	2,859	987

	31 December 2009	31 December 2008
50bp increase in Libor rate	(32)	(22)
50bp decrease in Libor rate	32	22

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:

(In thousands of Euro)

	2009 USD/Euro				2008 USD/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	296	148	(296)	(148)	320	160	(160)	(320)
Short term deposit	24	12	(12)	(24)	138	69	(69)	(138)

	2009 PLN/Euro				2008 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	4,057	2,028	(2,028)	(4,057)	3,182	1,591	(1,591)	(3,182)
Trade and other receivables	1,014	507	(1,014)	(507)	1,674	837	(837)	(1,674)
Trade and other payables	(2,846)	(1,423)	1,423	2,846	(4,930)	(2,465)	2,465	4,930
Hedge	27,992	13,996	(13,996)	(27,992)	27,560	13,780	(13,780)	(27,560)
Long term loans	(27,992)	(13,996)	13,996	27,992	(27,560)	(13,780)	13,780	27,560

Exposure to other currencies and other positions in statement of financial position are not material.

(In thousands of Euro)

34. 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.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and blocked deposits the Company's exposure to credit risk equals to the carrying amount of these instruments.

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

There are no material 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 2009	31 December 2008
First year	59,995	50,681
Second year	61,399	41,267
Third year	96,326	47,603
Fourth year	113,548	45,053
Fifth year	240,685	139,516
Thereafter	613,970	555,213
Not yet determined	117,724	104,209
	1,303,647	983,542
Debt issuance expenses	(9,959)	(6,751)
	1,293,688	976,791

34. 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 significant parts of the interest risk related to floating interests rate with derivative instruments. All current liabilities are expected to be settled within a year.

Fair Value

As of 31 December 2009, all loans bear floating interest rate. Therefore, fair value is equals to the amortised loan amount. As of 31 December 2008, the fair value of loans that bore a fixed interest rate was higher than the value of the amortised loan amounts by Euro 3.4 million.

Fair value of all other financial assets/liabilities equals to amortised costs.

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 thousands of Euro)

34. Financial instruments and risk management (continued)

No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.
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 40% and 60%.

	31 December 2009	31 December 2008
Non current liabilities	1,420,254	1,160,788
Total assets	2,622,579	2,558,404
Gearing ratio	54%	45%

(In thousands of Euro)

35. Restatement

The Company restated its Cash Flow Statement for previous years. This presentation is in line with IFRS.

Under the new presentation interest paid and interest received which were previously presented within operating activities are currently presented in financing activity and investing activity. Additionally, foreign currency translations previously presented within operating activities were reclassified to the effect of foreign currency translation position.

Cash Flow Statement for the year ended 31 December 2008 was restated as follows:

	Restated	**Reported**	**Difference**
Cash used in operating activities	(86,485)	(119,985)	33,500
Cash used in investing activities	(417,110)	(428,962)	11,852
Cash from financing activities	366,873	402,679	(35,806)
Effect of foreign currency translation	(8,146)	1,400	(9,546)
Total	(144,868)	(144,868)	-

In the current period the Group changed the presentation of accruals in the consolidated statement of financial position. In previous years accruals (including also accrued interests on bonds) were presented as a separate position within current liabilities. Under new presentation accruals are presented as Trade and other payables within current liabilities.

36. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 25 February 2010.