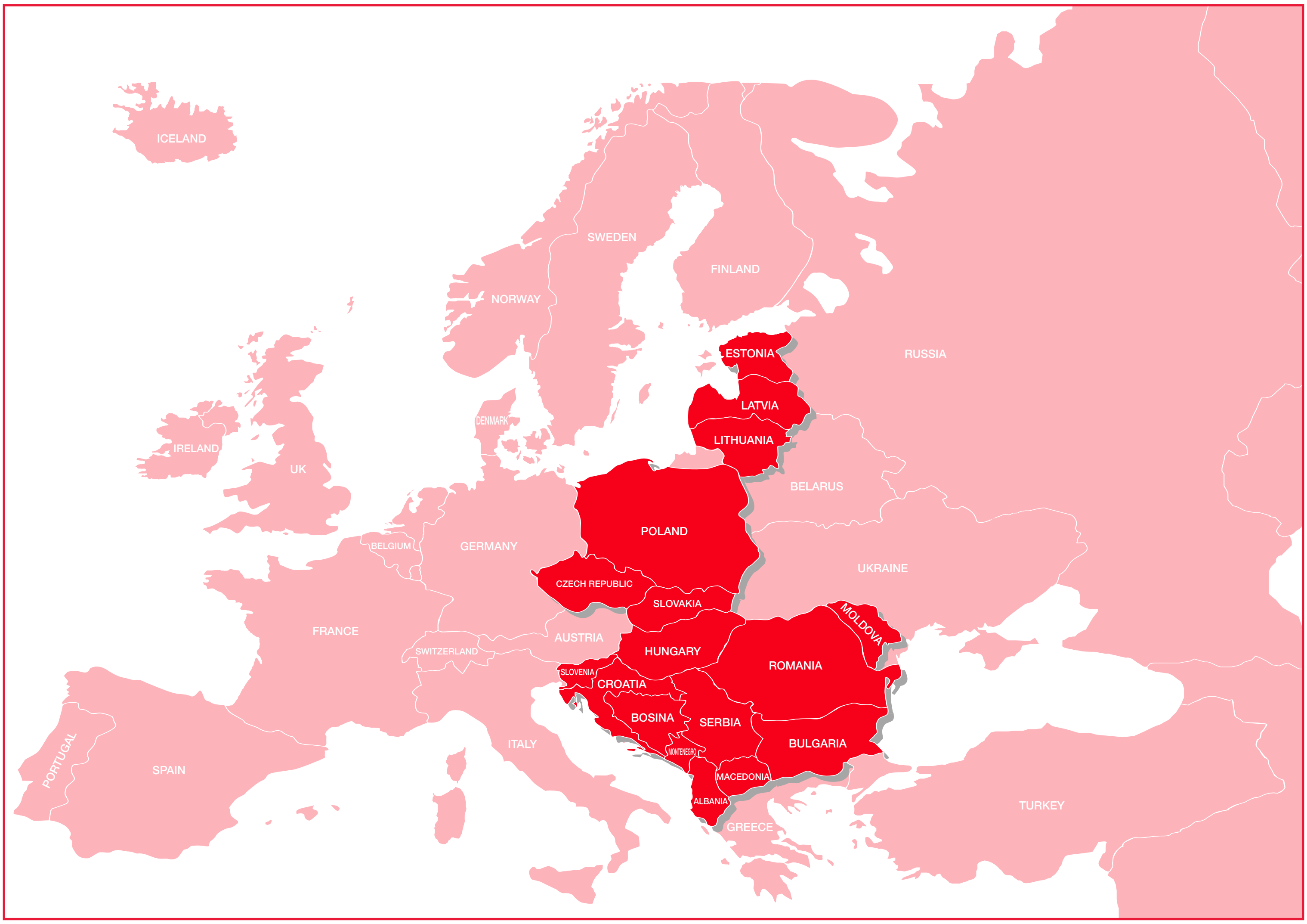
Dawnay, Day Carpathian PLC

Annual Report and Accounts 2005





Key ■ **= Target Countries**

Contents

Directors and Professional Advisors

For period from incorporation on 2 June 2005 to 31 December 2005

Directors	Patrick Rupert Cottrell (*Non-executive Chairman*) Peter Richard Klimt (*Non-executive Director*) William Allen Hamilton-Turner (*Non-executive Director*) David Parnell (*Non-executive Director*)
Company Secretary	David Parnell
Property Advisor	Dawnay, Day Europe Limited 15 Grosvenor Gardens London SW1W 0BD
Nominated Advisor and Broker	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH
Auditors	Deloitte & Touche Grosvenor House PO Box 250 66-67 Athol Street Douglas Isle of Man IM99 1XJ
UK Solicitors	Olswang 90 High Holborn London WC1V 6XX
Property Valuers	DTZ Debenham Tie Leung Limited European Valuations 1 Curzon Street London W1A 5PZ
Isle of Man Advocates	Simcocks Advocates Limited Ridgeway House Ridgeway Street Douglas Isle of Man IM99 1PY
Tax Advisors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6HR

Chairman's Statement

Introduction

I am pleased to be able to report that Dawnay, Day Carpathian plc ("Dawnay, Day Carpathian" or the "Company") continues to make good progress since it was admitted to the AIM market in July 2005. At the time of flotation the Company raised £140m (before expenses) which, together with bank borrowings, will facilitate the creation of a geared €1 billion portfolio of retail properties. Our investment strategy remains focused on acquiring suitable commercial retail properties such as shopping centers, supermarkets and retail warehousing in Central and Eastern Europe and we have been successfully executing this strategy.

Operational Review

Since July of 2005, Dawnay, Day Carpathian has rapidly established itself as a leading presence within the Central and Eastern European commercial property sector. As a result, the Company has generated a wide circle of contacts, including investors, developers and agents, through whom the Company is being presented with many suitable acquisitions. Currently we are processing a satisfactory range of suitable opportunities for inclusion in the portfolio. Our selection criteria remain robust and are based upon identifying retail assets with sustainable income, prospects for income and capital growth and for value enhancement through asset management.

The current portfolio comprises of five shopping centres and one warehouse park:

- Varyada Shopping Centre – Karlovy Vary, Czech Republic
- Tulipan Centre – Lodz, Poland
- Osowa – Gdansk, Poland
- Kometa – Torun, Poland
- Centrum Sosnowiec – Sosnowiec, Poland
- Antana Warehouse Park – Budapest, Hungary

Shortly an application will be made to redevelop the Antana Warehouse Park in Budapest, from light industrial and office units into a circa 50,000 sq m retail centre. Negotiations are commencing for the required permitting, and the exercise carried out earlier this year to canvas retail interest has received positive responses.

The transfer of Dawnay, Day Group's 50% share in the four shopping centres in Hungary anticipated as part of the initial pipeline investments for the Company, is now to include the entire 100% interest in these properties. Completion of the acquisition has been delayed by tax and legal complications but is expected to complete shortly. These Hungarian assets due for completion will add a further £41.5 million of investment to the Company's portfolio.

Financial Results

During the period under review, the Company made three acquisitions for a combined total of £84.3 million. These assets generated net rental income for the period of £1.16 million, which equates to an annualised return of approximately 25% on the equity invested. The acquisitions have been funded through £21.2 million of equity and £63.1 million of debt. A re-valuation of the Company's assets by DTZ took place at the period-end and resulted in a valuation increase of £2.5 million. Basic earnings per share for the period were 4.8p.

The administrative expenses amounted to approximately £701,000 for the period, which is in line with our original estimate of establishing a long-term business in a new geographical region.

In line with its stated strategy, the Company paid a dividend in December 2005 of 3p per share equating to a 3% yield based upon the placing price of 100p per share. The Company is also intending to pay a 6p per share dividend for the year ending 31 December 2006.

Investment Pipeline

We have a strong pipeline of acquisitions. In total, the Company is in advanced due diligence on a number of substantial transactions which, once completed, will bring the Company well in line with its target acquisition plan.

These transactions vary between properties in primary city centres to provincial convenience centres and range from the Baltic States, through Central and Eastern Europe to Romania and Bulgaria. In addition, the Company has a strategic agreement to acquire a roll out programme of supermarket developments, which are likely to comprise approximately £70 million of assets per annum over each of the next three years.

Management

In March 2006, Ross MacDiarmid resigned as a director of Dawnay, Day Europe Limited. Paul Rogers and Massimo Marcovecchio continue to have managerial responsibility for Dawnay, Day Europe Limited supported by an increased team of 14 members.

Outlook

Our focus is upon creating a superior commercial retail property portfolio. Penetration by the Company into wider property sub markets and recognition of the Dawnay, Day brand give rise to a broad range of opportunities and pricing levels. Market activity to date has seen a marked increase in transactional volumes in the territory increasing from £949 million in 2004 to £1,707 million approximately in 2005 (source: DTZ research, March 2006).

The Company is confident that there are sufficient opportunities, which meet its investment criteria and expects that as previously stated, it will be substantially invested by the end of 2006 without having to compromise on the quality of its acquisitions.

Rupert Cottrell
Chairman

Directors' Report

For period from incorporation on 2 June 2005 to 31 December 2005

The Directors present herewith their report and audited financial statements for the period from incorporation on 2 June 2005 to 31 December 2005.

Principal Activities

The principal activity of the company is that of investing in the retail property market in Central and Eastern Europe.

Results for the Period

Profit for the period from incorporation on 2 June 2005 to 31 December 2005 was £4,933,750. The results for the period and their appropriation are set out in the income statement on page 6.

Dividend

The Directors paid a dividend of 3p per share, for the period from incorporation on 2 June 2005 to 31 December 2005.

Directors

The Directors who served during the period from incorporation to date were as follows:

	Appointed	Resigned
D A Karran (Non-executive Director)	2 June 2005	23 June 2005
M T McHarrie (Non-executive Director)	2 June 2005	23 June 2005
P B Games (Non-executive Director)	2 June 2005	23 June 2005
P R Cottrell (Non-executive Chairman)	23 June 2005	
P R Klimt (Non-executive Director)	23 June 2005	
W A Hamilton-Turner (Non-executive Director)	23 June 2005	
P P Scales (Non-executive Director)	23 June 2005	22 December 2005
D Parnell (Non-executive Director)	22 December 2005	

Secretary

The secretaries who served during the period from incorporation and to date were as follows:

	Appointed	Resigned
Ridgeway Secretarial Services Ltd	2 June 2005	23 June 2005
Philip Peter Scales	2 June 2005	22 December 2005
David Parnell	22 December 2005	

Auditors

The auditors, Deloitte & Touche, have expressed their willingness to continue as auditors in accordance with Section 12(2) of the Companies Act 1982 and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Statement of Directors' Responsibilities

Isle of Man Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and Group, as at the end of the financial period and of the profit or loss of the Company and Group, for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group, will continue in business;
- provide additional disclosures when compliance with specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group, and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

To the members of Dawnay, Day Carpathian PLC

We have audited the Group and individual Company financial statements ("the financial statements") of Dawnay, Day Carpathian PLC for the period from incorporation on 2 June 2005 to 31 December 2005 which comprise the consolidated and individual Company income statement, the consolidated and individual Company statement of changes in equity, the consolidated and individual Company balance sheet, the consolidated and individual Company cash flow statement, and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Isle of Man legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements have been properly prepared in accordance with the Companies Act 1931 to 2004 and Article 4 of the IAS Regulation. We report to you if, in our opinion, the Directors' report is not consistent with the financial statements. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and Chairman's statement for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRS, as adopted for use in the European Union of the state of the Group's and individual Company's affairs as at 31 December 2005 and of the Group's and the individual Company's profit for the period from incorporation on 2 June 2005 to 31 December 2005. The financial statements have been properly prepared in accordance with the Companies Act 1931 to 2004.

Deloitte & Touche **21 April 2006**
Chartered Accountants
Douglas
Isle of Man

Deloitte & Touche

Income Statement

For period from incorporation on 2 June 2005 to 31 December 2005

	Note	Company	Group
		£	£
Gross rental income	5	–	1,485,519
Service charge income	7	–	494,073
Service charge expense		–	(424,650)
Property operating expenses	7	–	(394,614)
Net rental and related income		–	1,160,328
Changes in fair value of investment property	12	–	2,468,706
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	14	–	69,941
Net Foreign Exchange gain		433,933	608,639
Administrative expenses	8	(362,417)	(701,102)
Net other income		–	32,433
Net operating profit before net financing income		71,516	3,638,945
Financial income		2,795,106	3,007,062
Financial expense		–	(1,009,461)
Net financing income	9	2,795,106	1,997,601
Net profit before tax		2,866,622	5,636,546
Income tax expense	10	–	(702,796)
PROFIT FOR THE PERIOD		2,866,622	4,933,750
Attributable to:			
Equity holders of the Company	11	2,866,622	4,909,679
Minority Interests	11	–	24,071
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed as pence per share)			
Basic earnings per share	11		4.8
Diluted earnings per share	11		4.7

Statement of Changes in Equity

For period from incorporation on 2 June 2005 to 31 December 2005

GROUP	Note	Share Capital £	Share Premium £	Minority Interest £	Translation Reserve £	Retained Earnings £	Total £
Issue of share capital	*19*	1,454,300	144,468,545	–	–	–	145,922,845
Costs of issue of shares	19	–	(5,389,998)	–	–	–	(5,389,998)
Recognition of share-based payments	*28*	–	605,543	–	–	–	605,543
Acquisition of subsidiaries	*24*	–	–	205,702	–	–	205,702
Profit for the period		–	–	–	–	4,933,750	4,933,750
Minority interest	11	–	–	24,071	–	(24,071)	–
Share premium release	*19*	–	(14,127,767)	–	–	14,127,767	–
Dividend declared	*22*	–	–	–	–	(4,362,900)	(4,362,900)
Translation into presentation currency		–	–	–	(95,033)	–	(95,033)
Balance as at 31 December 2005		1,454,300	125,556,323	229,773	(95,033)	14,674,546	141,819,909

COMPANY	Note	Share Capital £	Share Premium £	Minority Interest £	Translation Reserve £	Retained Earnings £	Total £
Issue of share capital	*19*	1,454,300	144,468,545	–	–	–	145,922,845
Costs of issue of shares		–	(5,389,998)	–	–	–	(5,389,998)
Recognition of share-based payments	*28*	–	605,543	–	–	–	605,543
Profit for the period		–	–	–	–	2,866,622	2,866,622
Share premium release	*19*	–	(14,127,767)	–	–	14,127,767	–
Dividend declared	*22*	–	–	–	–	(4,362,900)	(4,362,900)
Balance as at 31 December 2005		1,454,300	125,556,323	–	–	12,631,489	139,642,112

Balance Sheet
As at 31 December 2005

	Note	Company £	Group £
ASSETS			
Non current assets			
Investment in subsidiaries	*24*	8,603	–
Investment property	*12*	–	87,054,370
Loan to subsidiary	*13*	20,430,343	–
Goodwill	*14*	–	3,698,346
Deferred income tax assets	*15*	–	127,305
		20,438,946	90,880,021
Current assets			
Trade and other receivables	*16*	353,993	2,036,675
Cash and cash equivalents	*17*	123,466,020	126,144,770
Financial assets	*18*	–	399,323
		123,820,013	128,580,768
TOTAL ASSETS		144,258,959	219,460,789
EQUITY			
Issued capital	*19*	1,454,300	1,454,300
Share premium	*19*	125,556,323	125,556,323
Retained earnings		12,631,489	14,674,546
Translation reserve		–	(95,033)
Total equity attributable to equity holders of the parent		139,642,112	141,590,136
Minority interest		–	229,773
TOTAL EQUITY		139,642,112	141,819,909
LIABILITIES			
Non-current liabilities			
Bank loans	*20*	–	60,971,511
Deferred income tax liabilities	*15*	–	4,943,082
		–	65,914,593
Current liabilities			
Trade and other payables	*21*	253,947	4,887,286
Bank loans	*20*	–	2,476,101
Dividends payable	*22*	4,362,900	4,362,900
		4,616,847	11,726,287
TOTAL LIABILITIES		4,616,847	77,640,880
TOTAL EQUITY AND LIABILITIES		144,258,959	219,460,789

These financial statements were approved by the Board of Directors and authorised for use on 21 April 2006.

Signed on behalf of the Board of Directors by:

Patrick Rupert Cottrell
Non-executive Chairman

William Allen Hamilton-Turner
Non-executive Director

Cash Flow Statement
For period from incorporation on 2 June 2005 to 31 December 2005

	Note	Company £	Group £
Cash flows from operating activities			
Cash (used in)/generated from operations	*23*	(28,530)	2,706,408
Net cash (used in)/generated from operating activities		(28,530)	2,706,408
Cash flows from investing activities			
Capital expenditure on investment property		–	(22,849)
Investment in subsidiary		(8,603)	–
Interest received		2,795,106	2,470,348
Acquisition of subsidiaries	*24*	–	(6,483,768)
Loans advanced to Subsidiaries before acquisition		–	(10,342,575)
Loan to subsidiary		(18,673,359)	–
Net cash used in investing activities		(15,886,856)	(14,378,844)
Cash flows from financing activities			
Proceeds on issue of shares, net of share issuance costs	*19*	139,381,406	139,381,406
Interest paid		–	(778,495)
Repayments of borrowings		–	(294,846)
Net cash generated from financing activities		139,381,406	138,308,065
Net increase in cash and cash equivalents		123,466,020	126,635,629
Cash and cash equivalents at the beginning of the period		–	–
Exchange losses on cash and cash equivalents		–	(490,859)
Cash and cash equivalents at the end of the period	*17*	123,466,020	126,144,770

1. GENERAL INFORMATION

Dawnay, Day Carpathian PLC (The "Company") is a company domiciled and incorporated in the Isle of Man on 2 June 2005 for the purpose of investing in the retail property market in Central and Eastern Europe.

The consolidated and company accounts for Dawnay, Day Carpathian PLC (The "Group") have been prepared for the period from incorporation on 2 June 2005 to 31 December 2005.

The Company's registered address is St James's Chambers, Athol Street, Douglas, Isle of Man.

The Company was admitted to the AIM of the London Stock Exchange and commenced trading its shares on 26 July 2005. The Company raised approximately £140 million (before admission costs).

The functional currency of the consolidated financial statements is the Euro as it is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pounds Sterling (presentation currency) for the convenience of readers. The translation between the functional and presentation currency is in accordance with the policies set out in Section 2(h) below.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) ***Basis of preparation***

The Group financial statements are prepared on the historical cost basis except for the revaluation of investment property and financial instruments.

The accounting policies have been consistently applied to the results, gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements.

The period from 2 June 2005 to 31 December 2005 is the first period of the Group's operation, and therefore no comparatives are presented.

The preparation of financial statements in conformity with IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) ***Business combinations***

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) ***Goodwill***

Goodwill is allocated as described in Section (d). After initial recognition, goodwill is measured at cost less any accumulated impairment losses. This impairment review is performed at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

(f) ***Revenue recognition***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(g) ***Leases***

Leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group only has operating leases. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(h) ***Foreign currencies***

The functional currency of the Company and subsidiaries is considered to be the Euro as the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements, the results and financial position of the Company and Group are expressed in Pounds Sterling.

In preparing the financial statements of the individual companies, transactions (other than those in functional currency) are recorded in foreign currency. The functional currency equivalent is also recorded where the underlying transaction is not denominated in functional currency. At each balance sheet date, all monetary assets and liabilities denominated in foreign currency are translated to functional currency at the rate prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies *(continued)*

In order to hedge its exposure to certain foreign exchange risks, the Group reviews its position to enter into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) ***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(j) ***Investment property***

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) ***Financial instruments***

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not use derivative financial instruments for speculative purposes.

The Group uses interest rate swap contracts to hedge all the interest on its third party debt.

The Group has a policy to review its foreign currency exposure twice a year. The review evaluates the cost/benefit ratio of introducing foreign currency hedges or options to minimise the perceived risk. The exposure exists between assets generating income in Euro while investments were made in British Pounds. The Group has no significant foreign exchange exposure whereby the introduction of foreign exchange hedges or options would provide an economic benefit.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (continued)
FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments and hedge accounting *(continued)*

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the income statement.

(l) ***Provisions***

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(m) ***Share-based payments***

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group provided Numis, as its Nominated Advisor, a share based payment, which is valued under the provisions described above (see note 28). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value of equity-settled share-based payments attributable to the issue of equity instruments is charged against equity. Fair value is measured using the Black-Scholes model.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies.

In the process of applying the Group's accounting policies, which are described in note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

Following a detailed review of the business combinations acquired, the Directors are satisfied that the carrying amount of the goodwill is justified and no impairment loss is to be recognised at the period end. More details on goodwill are available in notes 14 and 24.

Valuation of investment properties

The fair value of the Group's investment property was determined by independent valuers. The valuation, which conforms to the appropriate sections of both the current Practice Statements, and United Kingdom Practice Statements contained within the RICS Appraisal and Valuation Standards, 5th Edition (the "Red Book"), was arrived at by reference to market evidence of transaction prices for similar properties.

4. SEGMENT REPORTING

The Group's primary reporting format is its geographical segment, while its secondary reporting format is its business segment.

The Group comprises of the following geographical segments:

- EU countries with accession on 1 May 2004
  (10 new members of EU)
- Central and Eastern European countries with accession date set after 1 May 2004
  (Romania, Bulgaria)

The Group currently holds investment properties in Poland, Hungary and the Czech Republic, all of which fall into the first geographical segment.

The Group has one business segment, which is commercial retail property across all of its geographical segments.

5. GROSS RENTAL INCOME

	Group
	£
Gross lease payments collected/accrued	1,485,519

The group leases out its investment property under operating leases. All operating leases are for terms of 1-10 years.

6. OPERATING LEASES

Group as lessor

All properties set by the Group are under operating leases and the future minimum lease payments receivables under non-cancellable leases are as follows:

	Group
	£
Less than one year	6,825,747
Between one and five years	16,968,387
More than five years	6,387,091
	30,181,225

7. NET SERVICE CHARGE INCOME AND PROPERTY OPERATING EXPENSES

Net service charge income

	Vacant	Rented out	Total
	£	£	£
Service charge income	–	494,073	494,073
Service charge expenses	(25,584)	(399,066)	(424,650)
	(25,584)	95,007	69,423

Property operating expenses

	£
Management agent fees	112,581
Leasing fees	101,757
Other property operating expenses	71,040
Property taxes and fees	58,887
Insurance premium expense	39,256
Utilities expense (net)	11,093
	394,614

Other property operating expenses comprise items such as building maintenance and agency commissions.

Tabulated below are the amounts of property operating expenses arising from investment property that generated income and did not generate income during the period:

	£
Generated rental income	370,840
Did not generate rental income	23,774
	394,614

8. ADMINISTRATIVE EXPENSES

	Company £	Group £
Audit fees	102,878	152,047
Accounting fees	67,705	137,299
Valuation and due diligence fees	44,883	117,945
Marketing and public relation fees	54,871	70,838
Legal fees	–	61,037
Non-executive Directors' fees	34,883	34,883
Tax advisory fees	9,999	34,497
Custody/Trust fees	25,564	25,564
Bad debt write off	–	24,009
Irrecoverable V.A.T.	20,196	20,196
Other administrative expenses	1,438	14,918
Bank charges and fees	–	7,869
	362,417	701,102

9. NET FINANCING INCOME

	Company £	Group £
Interest income from financial institutions	2,464,648	2,470,348
Interest income from subsidiary	330,458	–
Fair value adjustment of interest rate swaps	–	200,290
Fair value adjustment of loans held to maturity	–	336,424
Financial income	2,795,106	3,007,062
Gross interest expenses	–	(1,009,461)
Net financing income	2,795,106	1,997,601

10. INCOME TAX EXPENSE

Recognised in the income statement

	Group £
Current tax expense	
Current year	228,976
Deferred tax expense	
Origination of temporary differences	473,820
Total income tax expense in the income statement	702,796

The tax rate applicable to the Company in the Isle of Man is 0%. The tax charge of £228,976 in respect of current year profits represents tax charges on rental income arising in other jurisdictions, that is subject to corporate income tax in those jurisdictions at rates in the range 16% to 22.88% and a Municipal Business tax at the rate of 7.5% in Luxembourg. As all current year tax charges arise in jurisdictions outside the Isle of Man, a full tax reconciliation has not been included within these accounts.

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the period ended 31 December 2005 was based on the profit attributable to ordinary shareholders of £4,909,679 and a weighted average number of ordinary shares outstanding during the period ended 31 December 2005 of 102,101,808, calculated as follows:

	Group £
Profit attributable to ordinary shareholders	
Profit for the period	4,933,750
Minority interest	(24,071)
Profit attributable to ordinary shareholders	4,909,679
Weighted average number of ordinary shares	
Founder Shares converted on incorporation - 2 June 2005	10,000
Effect of shares issued on 1 August 2005	100,377,358
Effect of shares issued on 16 October 2005	1,382,649
Effect of shares issued on 16 November 2005	331,801
Weighted average number of ordinary shares	102,101,808
Basic earnings per share (expressed as pence per share)	4.8

Diluted earnings per share

The calculation of diluted earnings per share for the period ended 31 December 2005 was based on the profit attributable to ordinary shareholders of £4,909,679 and a weighted average number of ordinary shares outstanding during the period ended 31 December 2005 of 103,356,615, calculated as follows:

	£
Profit attributable to ordinary shareholders (diluted)	
Profit for the period	4,933,750
Minority Interest	(24,071)
Profit attributable to ordinary shareholders	4,909,679
Weighted average number of ordinary shares	
Weighted average number of ordinary shares	102,101,808
Numis Options (see note 28)	1,254,807
Weighted average number of ordinary shares (diluted)	103,356,615
Diluted earnings per share (expressed as pence per share)	4.7

12. INVESTMENT PROPERTY

	Group £
Acquisitions through business combinations (see note 24)	83,265,238
Additions	22,849
Increase in fair value	2,468,706
Foreign exchange effect	1,297,577
Balance at 31 December 2005	87,054,370

The fair value of the Group's investment property at 31 December 2005 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung, independent valuers.

The Group has pledged each of its investment properties to secure related interest bearing debt facilities granted to the Group for the purchase of such investment properties.

13. LOAN TO SUBSIDIARY

The company has lent £20,430,343 to Carpathian Properties S.á r.l. during the year. The loan matures on 31 December 2015. The loan carries interest at 1% per annum plus 100% of Carpathian Properties S.á r.l. adjusted accounting profits for the relevant accounting period.

14. GOODWILL

	Group £
Additions through business combinations (see note 24)	3,645,516
Foreign exchange effect	52,830
Balance at 31 December 2005	3,698,346

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following items:

	Group Assets £	Group Liabilities £
Property valuation	–	4,917,106
Swap valuation	–	25,976
Accrued interest	44,136	–
Tax loss	29,706	–
Other temporary differences	53,463	–
	127,305	4,943,082

16. TRADE AND OTHER RECEIVABLES

	Company £	Group £
Trade receivables	–	1,197,635
Prepayments	19,448	666,868
Accrued interest on intercompany loans	334,545	–
Tenant deposits	–	172,172
	353,993	2,036,675

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

18. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to reduce exposure to fluctuations in interest rates. Such derivatives are initially valued at cost and are remeasured to fair value at subsequent reporting dates. Changes in fair value of derivative financial instruments are recognised in the income statement.

Due to the short term nature of trade and other payables and trade and other receivables, the Group believes the carrying amount fairly represents the fair value of such financial instruments. All other financial instruments are recorded at fair value.

19. SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of Ordinary Shares of 1p each	£
31 December 2005	200,000,000	2,000,000

The Company was incorporated on 2 June 2005 with an authorised share capital of £2,000, comprising 100 founder shares of £1 each and 190,000 unclassified shares of 1p each.

On 17 June 2005 the authorised share capital was restructured to 200,000 shares of 1p each by conversion of the founder shares to 10,000 ordinary shares of 1p each and conversion of the unclassified shares to 190,000 ordinary shares of 1p each.

On the same day the authorised share capital of the Company was increased to £2,000,000 by the creation of 199,800,000 ordinary shares of 1p each.

Issued	Number of Shares Issued and Fully Paid	Share Capital £	Share Premium £
Founder shares of £1 each	-	-	-
2 June 2005 Founder Shares	100	100	–
Ordinary shares of 1p each	-	-	-
17 June 2005 Conversion of founder Shares	10,000	100	–
1 August 2005 – issued for cash	140,000,000	1,400,000	138,600,000
1 August 2005 – placing costs	–	–	(5,389,998)
1 August 2005 – recognition of share-based payments	–	–	605,543
16 October 2005 – issued for cash	3,856,862	38,569	4,127,192
16 November 2005 – acquisition of BHA Czech s.r.o.	1,563,153	15,631	1,741,353
	145,430,015	1,454,300	139,684,090
14 December 2005 – Transfer to distributable reserves	–	–	(14,127,767)
At the end of the year	145,430,015	1,454,300	125,556,323

The company incurred costs of £5,389,998 relating to the issue of shares which included the estimated value to the option of shares issued to Numis Securities Limited of £605,543 (the Company's nominated advisor) (see note 28). The costs were primarily for professional advisory fees, including £85,000 paid to the auditors of the Company. These equity transaction costs were deducted from equity in accordance with IAS 32, Financial Instruments Disclosure and Presentation.

Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting.

On 26 July 2005, the Company issued 140,000,000 ordinary shares in relation to its public offering at £1 per share.

On 16 October 2005, the Company issued 3,513,929 ordinary shares at £1.08 per share to Petalang Limited (a related party, as disclosed in note 24) and 342,933 ordinary shares at £1.08 per share to Munxay Limited (a related party, as disclosed in note 24) in relation to the reinvestment of their profits arising on the Group's acquisition of the Hungarian and Polish subsidiaries.

On 16 November 2005, the Company issued 1,563,153 ordinary shares at £1.12 per share to Munxay Limited in relation to the acquisition of the Czech Republic subsidiaries (see note 24).

There is a lock in agreement dated 20 July 2005, between the Company, Munxay Limited, Petalang Limited and Numis Securities Limited (the Company's nominated advisor) which states that for the period of 12 months from the date of agreement, Munxay Limited and Petalang Limited will not offer, dispose of or agree to offer or dispose any of their ordinary shares.

On 18 November 2005 the Company passed a resolution at an EGM, which was approved by the Court, to cancel 10% of the Company's share premium account to enable the payment of a special dividend to shareholders.

20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest and currency risk, see note 2.

	£
Bank Loans – non current	60,971,511
Bank Loans – current	2,476,101
	63,447,612

The borrowings are repayable as follows:	
On demand or within one year	2,476,101
In the second year	1,438,971
In the third to fifth years inclusive	59,873,125
After five years	–
	63,788,197
Fair value adjustment	(336,424)
Foreign exchange effect	(4,161)
	63,447,612
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,476,101)
Amount due for settlement after 12 months	60,971,511

The Group has pledged each of its investment properties to secure related interest bearing debt facilities granted to the Group for the purchase of such investment properties.

The group measures and records the bank loans at fair value, resulting in a net gain in the income statement of £336,424. The fair value of the bank loans is determined at amortised cost using effective interest rate of 4.65%.

21. TRADE AND OTHER PAYABLES

	Company £	Group £
Trade payables	82,659	2,532,906
Tenant deposits	–	610,903
Related party payables (see note 26)	8,603	608,515
Income received in advance	–	452,983
Tax payable	–	258,424
Accrued interest	–	230,966
Accrued expenses	162,685	192,589
	253,947	4,887,286

22. DIVIDENDS

	£
Special dividend for the period ended 31 December 2005 of 3p per share	4,362,900

A special dividend of 3p per share for the period ended 31 December 2005 was declared on 15 December, and paid on 6 January 2006 to ordinary shareholders on the register at close of business on 23 December 2005.

23. NOTES TO THE CASH FLOW STATEMENT

	Company £	Group £
Cash generated from operations		
Profit for the period	2,866,622	4,933,750
Adjustments for:		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	–	(69,941)
Increase in fair value of interest rate swaps	–	(200,290)
Increase in fair value of bank loans	–	(336,424)
Net other finance Income	(2,795,106)	(1,460,887)
Increase in fair value of investment property	–	(2,468,706)
Income tax expense	–	702,796
Operating cash flows before movements in working capital	71,516	1,100,298
(Increase)/decrease in receivables	(353,993)	5,864,791
Increase/(decrease) in payables	253,947	(4,258,681)
Cash generated from operations	(28,530)	2,706,408

24. ACQUISITION OF SUBSIDIARIES

The acquisitions of subsidiaries during the period are all considered to be related party transactions. Each of the acquisition transactions detailed below was included in the Pipeline Agreement dated 20 July 2005.

Peter Klimt (non-executive Director of the Board) and a Director of Dawnay, Day Europe Limited, Massimo Marcovecchio (Director of Dawnay, Day Europe Limited) and Paul Rogers (Director of Dawnay, Day Europe Limited) each held a stake in the vendor companies. Dawnay, Day Europe Limited also acts as Property Advisor under the terms of the Portfolio Management Agreement to the Group.

Gumtree S.á r.l.

On 29 September 2005 the Group paid a cash consideration of £3,546,425 for 100% of the issued capital of Gumtree S.á r.l. from Perriniana Limited and Dawnay, Day Properties Limited. Gumtree S.á r.l. owned 100% of the issued share capital of Darena Investments Sp. z.o.o., Valora Investments Sp. z.o.o., Magnor Investments Sp. z.o.o. and Maine Investments Sp. z.o.o. which combined held four investment properties collectively valued at £42,278,412 as at 29 September 2005 and external debt of £33,306,145.

BHA Czech s.r.o.

On 16 November 2005 the Group paid a cash consideration of £5,470 and issued 1,563,153 ordinary shares at £1.12 (see note 19) for 90% of the issued capital of BHA Czech s.r.o. from Marba Investments S.á r.l. BHA Czech s.r.o. owned 100% of the issued share capital of Euro Mall Karlovy Vary a.s. which held an investment property valued at £26,759,184 as at 16 November 2005 and external debt of £21,674,510.

LarchSilver Hungary Kft

On 25 October 2005 the Group paid a cash consideration of £5,420,054 for 100% of the issued capital of Larchsilver Hungary KFT from Maplesilver Limited. Larchsilver KFT owned 100% of the issued share capital of Antana KFT, which held an investment property valued at £14,227,642 as at 25 October 2005 and external debt of £8,137,534.

Carpathian Properties S.á r.l.

On 5 July 2005 the Group paid a cash consideration of £6,307 for 75% of the issued capital of Carpathian Properties S.á r.l.

Carpathian Holdings S.á r.l.

On 5 July 2005 the Group paid a cash consideration of £8,603 for 100% of the issued capital of Carpathian Holdings S.á r.l.

ACQUISITION OF SUBSIDIARIES (continued)

The following is a break down of the acquired assets and liabilities of the acquisitions:

	Carpathian Properties S.á r.l. £	Gumtree S.á r.l. £	BHA Czech s.r.o. £	Larchsilver Hungary Kft £	Total £
Assets					
Investment property	–	42,278,412	26,759,184	14,227,642	83,265,238
Financial assets	–	–	192,921	–	192,921
Trade and other receivables	–	5,317,742	1,488,070	1,095,654	7,901,466
Cash and cash equivalents	8,410	1,029,397	1,369,283	87,398	2,494,488
Liabilities					
Borrowings	–	(33,306,145)	(21,674,510)	(8,137,534)	(63,118,189)
Deferred income tax	–	(485,519)	(2,071,593)	(1,706,259)	(4,263,371)
Trade and other payables	–	(2,420,470)	(4,027,361)	(2,316,780)	(8,764,611)
Internal borrowings	–	(10,342,575)	–	–	(10,342,575)
Net asset value	8,410	2,070,842	2,035,994	3,250,121	7,365,367
Minority Interest	(2,103)	–	(203,599)	–	(205,702)
Goodwill	–	1,475,583	–	2,169,933	3,645,516
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	–	–	(69,941)	–	(69,941)
Total consideration	6,307	3,546,425	1,762,454	5,420,054	10,735,240
Satisfied by:					
Cash	6,307	3,546,425	5,470	5,420,054	8,978,256
Share issue	–	–	1,756,984	–	1,756,984
	6,307	3,546,425	1,762,454	5,420,054	10,735,240
Net cash outflow arising on acquisition:					
Cash consideration	(6,307)	(3,546,425)	(5,470)	(5,420,054)	(8,978,256)
Cash and cash equivalents acquired	8,410	1,029,397	1,369,283	87,398	2,494,488
	2,103	(2,517,028)	1,363,813	(5,332,656)	(6,483,768)

25. GROUP ENTITIES

Significant subsidiaries	Country of incorporation	Ownership interest
Carpathian Holdings S.á r.l.	Luxembourg	100%
Carpathian Properties S.á r.l.	Luxembourg	75%
Gumtree S.á r.l.	Luxembourg	100%
Valora Investments Sp. z.o.o.	Poland	100%
Darena Investments Sp. z.o.o.	Poland	100%
Magnor Investments Sp. z.o.o.	Poland	100%
Maine Investments Sp. z.o.o.	Poland	100%
Larchsilver Hungary Kft	Hungary	100%
Antana Hungary Kft	Hungary	100%
BHA Czech s.r.o.	Czech Republic	90%
Euro Mall Karlovy Vary a.s.	Czech Republic	100%

26. RELATED PARTIES

The Group has related party relationships with its subsidiaries (see note 25) and with two of the four non-executive Directors of the Board. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year, Group companies entered into the following transactions with related parties having certain common Directors:

	£
Advisory fee charged by Dawnay, Day Europe Ltd.	67,705

Dawnay, Day Europe Ltd. acts as Property Advisor for the portfolio, and the above amount represents its fee as defined by the Portfolio Management Agreement.

	£
Accounting and administration fee charged buy Northern Trust	22,252

Northern Trust was appointed as Secretary of the Company and delegates one non-executive Director to the Board.

Loans

	£
Loan from Marba Investments S.á r.l. at 31 December 2005	180,420
Interest expense on loan from Marba Investments S.á r.l.	939
Loan from Maplesilver Ltd. at 31 December 2005	368,511
Interest expense on loan from Maplesilver Ltd.	5,824

The loans relate to acquisitions of subsidiaries, where not all loans from the vendor were fully repaid.

Acquisitions

See note 24 for details of acquisitions made from related parties.

Carried interest

Sanary Investments S.á r.l., a member of the Dawnay, Day Group has right to a carried interest. In any year Sanary Investments S.á r.l. is not entitled to any carried interest until a rate of return of 8% per annum (cumulative) has been achieved by the Group. The rate of return is based on cash paid up to Dawnay, Day Carpathian PLC.

If the hurdle is achieved then Sanary Investments S.á r.l. will be entitled to a 25% carried interest on the cumulative rate of return between 8% per annum and 20% per annum. If a cumulative rate of return is achieved by the Group in excess of 20% per annum then Sanary Investments S.á r.l. will be entitled to a 40% carried interest on the cumulative rate of return above 20% per annum.

If in any one year the return is less than 8% then the gap between the actual return achieved and 8% will be made up in subsequent years before Sanary Investments S.á r.l. will be entitled to any further carried interest.

For the period from incorporation on 2 June 2005 to 31 December 2005 none of the hurdles have been achieved and Sanary Investments S.á r.l. is not entitled to any carried interest.

27. CAPITAL COMMITMENTS

The Group has no significant capital commitments towards existing or forecasted investments.

28. SHARE-BASED PAYMENTS

As part of the costs directly attributable to the issue of shares, Numis Securities Limited was partly compensated by way of granting to Numis the right to subscribe for 1,750,125 ordinary shares of 1p each at a subscription price of £1 per share.

Numis has 5 years from the date of admission in which to exercise its option. The value of the option at Balance Sheet date, using the Black-Scholes Model is £605,543.

The inputs into the Black-Scholes model are as follows:

	£
Strike price of option	1.00
Sharer price at 31 December 2005	1.15
Remaining option period (years)	4.50
Risk free interest rate	4.1%
Volatility	15.7%

29. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Dawnay, Day Carpathian PLC