DAWNAY, DAY CARPATHIAN PLC
ANNUAL REPORT 2006

CORPORATE STATEMENT

Dawnay, Day Carpathian PLC "DDC" is an AIM listed company formed for the purpose of investing in commercial retail property assets in Central and Eastern Europe.

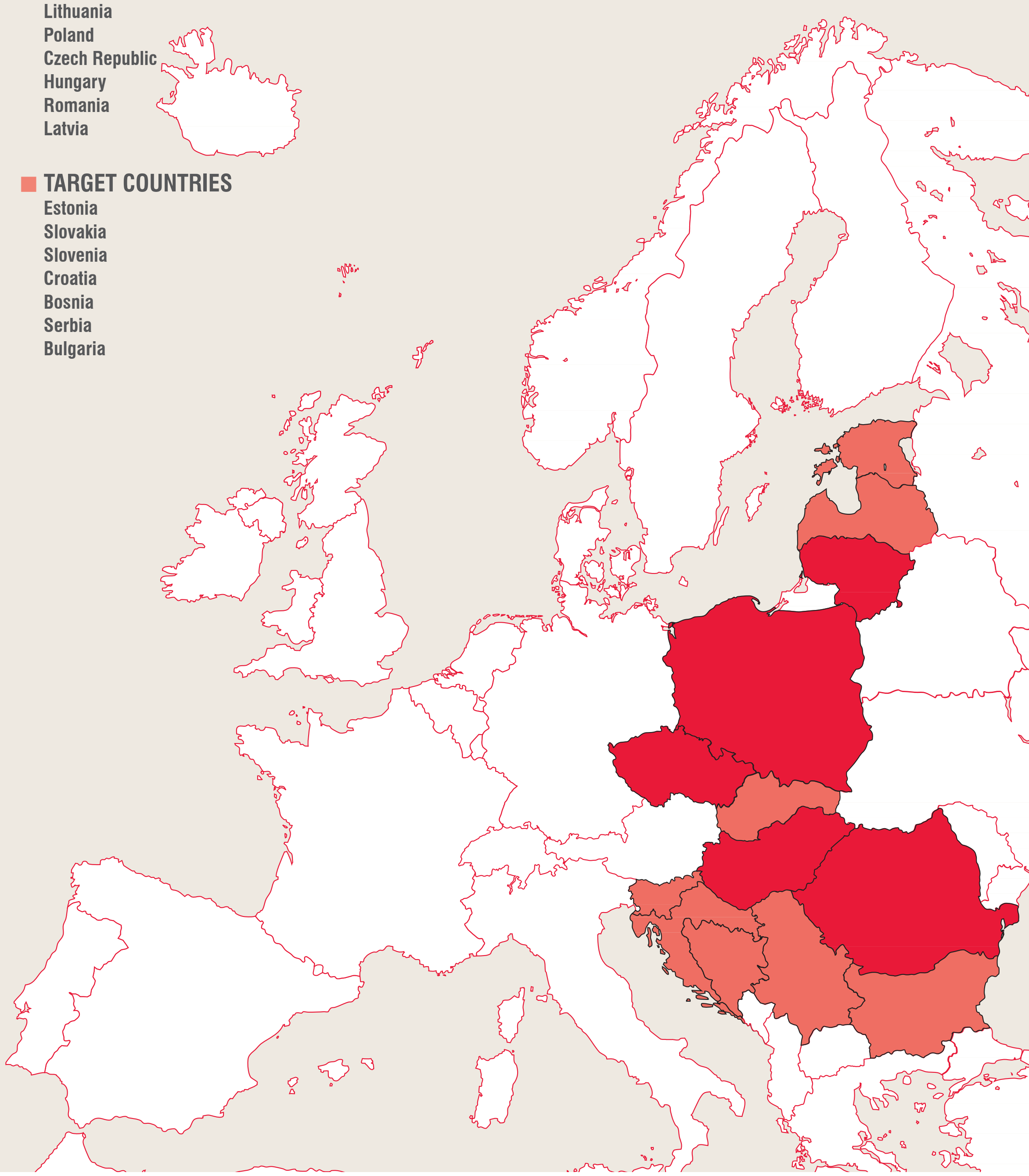
PORTFOLIO COUNTRIES

CURRENT OPERATING COUNTRIES

Lithuania
Poland
Czech Republic
Hungary
Romania
Latvia

TARGET COUNTRIES

Estonia
Slovakia
Slovenia
Croatia
Bosnia
Serbia
Bulgaria



OPERATIONAL HIGHLIGHTS

- On 2 April 2007, the Company announced it had reached the full investment target set at Admission, with over 90% of the funds raised at the time of Admission invested or committed
- Announced on 24 April 2007 the raising of a further £100 million
- Substantial pipeline of potential acquisitions valued at approximately £1 billion

FINANCIAL HIGHLIGHTS

- Adjusted NAV increased to 126.7 pence from 98.2 pence
- EPS for the period of 21.1 pence compared to 4.8 pence
- Proposed final dividend of 4 pence, giving a total dividend for the year of 6 pence and first interim dividend for 2007 of 3.33 pence

CHAIRMAN'S STATEMENT

"We are delighted by the investor response to the recent secondary Placing. As a result, we are now focused on creating a £1.2 billion commercial property portfolio across Central and Eastern Europe. We continue to see opportunities to acquire properties at attractive yields, as well as selecting regeneration opportunities where there is limited development risk. Our asset manager, Dawnay, Day PanTerra, is highly regarded within our chosen markets and we believe this gives us a significant competitive advantage."

Rupert Cottrell, Chairman of Dawnay, Day Carpathian

I am pleased to report that the Group has continued to make excellent progress in acquiring an attractive portfolio of retail properties in Central and Eastern Europe in line with our objectives set at Admission. Since the year end, the Company has announced its intention to raise approximately £100 million (before expenses) by means of the Placing of 83,333,334 new ordinary shares ("the Placing Shares") at 120 pence per share, which together with the funds raised at the time of Admission, means the Company has raised gross proceeds of £240 million. As a result, the Company is now aiming to build a portfolio worth approximately £1.2 billion. The net proceeds of the Placing will be used to fund the Company's continuing investment programme and new business opportunities including the development and regeneration of properties while maintaining our focus on income generation. The Placing is conditional upon the passing of resolutions by shareholders at the Extraordinary General Meeting scheduled for 17 May 2007. Dealings in the Placing Shares are expected to commence on or around 18 May 2007.

As at 31 December 2006, the Company had acquired property investments costing a total of £332.8 million with an annualised rent roll in excess of £26.1 million and a blended net initial yield of 7.9%.

Our investment strategy has evolved in response to a developing market environment, and while we continue to focus predominantly on income generating assets, a substantial number of forward commitment opportunities exist which the Company is seeking to pursue. The Company believes its experience in its chosen markets creates a significant competitive advantage and we are confident of continuing to generate excellent shareholder value.

FINANCIAL RESULTS

During the period under review, the Company acquired 35 retail properties in ten acquisitions for a total of approximately £249.5 million. The net rental and related income for the period was £12.7 million.

The Company overall generated a profit before tax of £46.8 million. Adjusted profit before tax, which excludes any revaluation surplus, was £10.0 million.

The basic earnings per share of the Company were 21.1 pence. Adjusted earnings per share, which excludes any revaluation surplus, were 5.78 pence.

As at 31 December 2006, the Company's borrowings totalled £254.2 million representing a loan to value ratio of 69%.

The loans secured against the properties are denominated in Euros and have an average weighted interest rate of 5.28% for the period. All loan agreements have hedging instruments in place minimising the impact of the interest rate risk, by swapping the variable Euribor rate to an average fixed rate of 3.51%.

DIVIDENDS

As announced on 24 April 2007, the Board has declared, subject to shareholder approval, a final dividend in respect of the financial year ended 31 December 2006 of 4 pence per share ("the Final

OUR BUSINESS

Dawnay, Day Carpathian plc ("DDC"), was created in 2005 for the purpose of investing in Eastern European commercial real estate, with a primary focus on shopping centres, supermarkets and retail warehousing in several target countries in Central and Eastern Europe including the Czech Republic, Hungary, Bulgaria, Poland, Romania, Slovakia and the Baltics. On Admission to AIM in July 2005, the Company raised £140 million of equity by way of an offer to institutional investors and in April 2007 the Company announced its intention to raise a further £100 million by way of an additional offer to institutional investors. DDC is to use funds raised from the offers, combined with secured debt gearing against income producing property assets, to acquire a substantial property portfolio of approximately £1.2 billion.

BABILONAS
Location: Panevėžys, Lithuania

SOPRON PLAZA
Location: Sopron, Hungary

PÈCS PLAZA
Location: Pècs, Hungary

TULIPAN
Location: Łódź, Poland

> Carpathian continues to strengthen its presence within our target markets, having a growing portfolio of retail assets across Central and Eastern Europe, with excellent growth prospects.

Rupert Cottrell, Chairman of Dawnay, Day Carpathian

Dividend"), representing a total dividend for that year of 6p in line with our dividend target set at Admission. The record date for the Final Dividend is 4 May 2007 and it will be paid on 25 May 2007.

The Board has also declared a first interim dividend in respect of the financial year ended 31 December 2007 ("the First Interim Dividend") of 3.33 pence per share. The Placing Shares do not qualify for the Final Dividend and the First Interim Dividend but they will qualify for any further dividends, including the one remaining interim dividend, together with the final dividend for the financial year ended 31 December 2007, which is intended to result in an aggregate dividend payment of 10 pence per share for that financial year. It is the Directors' intention to continue to provide investors with substantial dividends in addition to the confirmed potential for capital growth. In this regard and as announced on 2 April 2007, the Board has also confirmed that it targets a dividend of 10 pence per share for the year ending December 2008.

REVALUATION AND NET ASSET VALUE

As announced on 12 March 2007, the portfolio has been valued as at 31 December 2006 at £368.7 million by DTZ Debenham Tie Leung Limited ("DTZ"), giving a net uplift of £36.8 million compared to the 31 December 2005 valuation (or the purchase price if acquired thereafter). The net asset value per share, adjusted to exclude goodwill and any deferred tax liabilities arising on the property valuations, has risen to 126.7 pence from 98.2 pence, an increase of 29%. Non adjusted, net asset value per share has risen to 114.2 pence from 97.4 pence at 31 December 2005, an increase of 17.2%.

The gross lettable area ("GLA") of the portfolio exceeds 320,000m^2, and in addition there is a potential increase of approximately 25% of GLA. These expansions could be realised by individual asset management strategies spanning two to three years.

Differences between the purchase price and the DTZ valuation at 31 December 2006 at individual property level vary due to the length of actual ownership of each property. The Antana Logistic Park and the Ericsson Office Building complex were acquired with the intention of implementing regeneration projects to maximise their future value while providing attractive income yields at present.

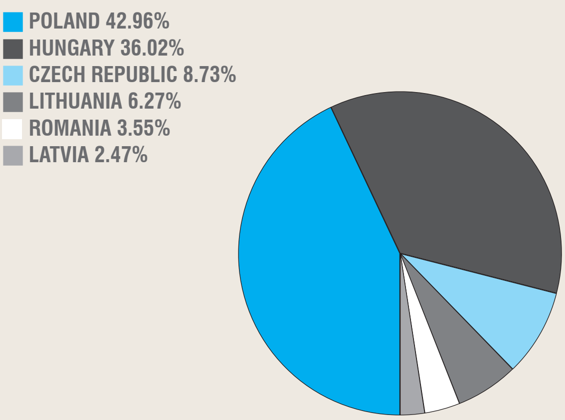
The Company's property advisor, Dawnay, Day PanTerra ("DDPT") has expanded its team of professional personnel focused upon Central and Eastern Europe from seven to 24 since Admission, and it now has an established local presence in Warsaw, with significant expertise, including a team of five property professionals.

Following the successful completion of the Placing, the Company will have the opportunity to significantly expand its portfolio, and DDPT has identified a strong pipeline of potential transactions across the Company's target geographies. The pipeline contains a mix of income producing assets as well as development opportunities. It is expected that future acquisitions will take the Company into new markets such as Bulgaria and expand its existing presence in countries such as Romania and Lithuania. The new funds raised have positioned the Company to capitalise upon the excellent opportunities that DDPT has identified.

OVERVIEW OF EXISTING PROPERTY PORTFOLIO

COUNTRY	LOCATION	PROPERTY	PURCHASE PRICE (£M)	DTZ VALUATION (£M)
Czech Republic	Karlovy Vary	Varyada Shopping Centre	26.8	32.2
CZECH REPUBLIC TOTAL			**26.8**	**32.2**
Hungary	Budaors	Antana Warehouse Park	14.2	14.8
	Hungary	Plaza Portfolio	44.4	51.1
	Budapest	Ericsson Office Building Complex	11.5	11.5
	Hungary	Interfruct Portfolio	53.7	55.4
HUNGARY TOTAL			**123.8**	**132.8**
Latvia	Riga	Blaumana 12	8.5	9.1
LATVIA TOTAL			**8.5**	**9.1**
Lithuania	Panevezys	Babilonas Shopping Centre	23.0	23.1
LITHUANIA TOTAL			**23.0**	**23.1**
Poland	Poland	Geant Portfolio	42.3	52.5
	Warszawa	Promenada Shopping Cente	94.5	104.9
	Slupsk	Biedronka Supermarket	0.8	1.0
POLAND TOTAL			**137.6**	**158.4**
Romania	Brasov	MacroMall Shopping Centre	13.1	13.1
ROMANIA TOTAL			**13.1**	**13.1**
GRAND TOTAL			**332.8**	**368.7**

PORTFOLIO VALUE BY COUNTRY



OUTLOOK

The Company has delivered on its targets set out at Admission. Upon successful completion of the secondary Placing, we will be focused on creating a £1.2 billion property portfolio across Central and Eastern Europe. This growth potential and wide geographic coverage are strategically important to be competitive and successful.

The macroeconomic environment remains favourable and we expect to continue to be able to acquire attractive income producing assets, together with selective regeneration projects. The excellent pipeline of potential acquisitions provides the Board with confidence that the Company will continue to generate an excellent mix of income and capital growth.

RUPERT COTTRELL
CHAIRMAN

PROMENADA
Location: Warszawa, Poland

DIRECTORS, OFFICERS AND ADVISERS

RUPERT COTTRELL
NON-EXECUTIVE CHAIRMAN
Rupert Cottrell is a resident of the Isle of Man and Chairman of the supervisory board of AS Magnum Medical, a Baltic pharmaceutical group whose principal operations are in Estonia, Latvia and Lithuania, and Director of New European Investments Ltd (a closed end private investment fund). As a consequence Rupert has developed extensive relationships in Central and Eastern Europe which will be of benefit to the Company. He is also a non-executive director of The PFI Infrastructure Company PLC, which was admitted to AIM in July 2004. Prior to this, Rupert was a director of Capital International Ltd, Henry Cooke Lumsden plc and Hill Samuel Private Client Management Ltd. He has also spent four years as a Council member of FIMBRA.

PETER KLIMT
NON-EXECUTIVE DIRECTOR
Peter Klimt is the Chief Executive of Dawnay, Day International Limited, Chairman of Dawnay, Day Property Investment Limited, Director of Dawnay, Day Europe Limited, and one of the two principals of the Dawnay, Day Group. Peter qualified as a solicitor in 1971. After undertaking a number of joint ventures in property investment with Dawnay, Day and Guy Naggar, Peter joined the board of Dawnay, Day International Limited in 1992 and has developed the group's property investment division. Peter is a non-executive Director of Dawnay, Day Treveria Plc and serves on the Investment Committee of Dawnay Shore Hotels plc.

WILLIAM (BILL) HAMILTON-TURNER
NON-EXECUTIVE DIRECTOR
Bill Hamilton-Turner is a resident of the Isle of Man. He is a non-executive director of the commercial property division of Antler Property Group that has interests in commercial and residential property in the UK, and a non-executive director of AIM listed Trinity Capital PLC investing in Indian real estate. He is also a non-executive director of Hansa Fund PCC Limited, an investment fund licensed by the Guernsey Financial Services Commission, and Devonshire Corporate Services Limited, a corporate services provider licensed by the Isle of Man Financial Supervision Commission. Previously Bill was chairman of Insinger de Beaufort (International) Limited, Isle of Man office (formerly Jardine Matheson International) and deputy chairman of merchant bank Rea Brothers (Isle of Man) Limited. He is a Fellow of the Chartered Institute of Bankers and a Chartered Director.

PHILIP SCALES
NON-EXECUTIVE DIRECTOR
Philip Scales is Managing Director of IOMA Fund and Investment Management Limited ("IOMAFIM"), part of the Isle of Man Assurance Group. IOMAFIM specialises in the provision of third party fund administration and investment management services. Prior to this, Philip spent nearly 18 years as Managing Director of Northern Trust International Fund Administration Services (Isle of Man) Limited (formerly Barings (Isle of Man) Limited). He has over 30 years' experience of working offshore, primarily in corporate and mutual fund administration and currently holds a number of directorships of listed companies. Philip is a Fellow of the Institute of Chartered Secretaries and Administrators.

DIRECTORS
PATRICK RUPERT COTTRELL
(Non-executive Chairman)

PETER RICHARD KLIMT
(Non-executive Director)

WILLIAM ALLEN HAMILTON-TURNER
(Non-executive Director)

PHILIP PETER SCALES
(Non-executive Director)

COMPANY SECRETARY
Philip Peter Scales

PROPERTY ADVISER
DAWNAY, DAY PANTERRA LIMITED
(Formerly known as
Dawnay, Day Europe Limited)
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NOMINATED ADVISER AND BROKER
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Isle of Man IM99 1XJ

UK SOLICITORS
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London WC1V 6XX

PROPERTY VALUERS
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European Valuations
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ISLE OF MAN ADVOCATES
SIMCOCKS ADVOCATES LIMITED
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Ridgeway Street
Douglas
Isle of Man IM99 1PY

TAX ADVISERS
PRICEWATERHOUSECOOPERS LLP
1 Embankment Place
London WC2N 6HR

DIRECTORS' REPORT

The Directors present herewith their report and audited financial statements for the year ended 31 December 2006.

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 year ended 31 December 2006 was £36,021,696 (2005: £4,933,750). The results for the period and their appropriation are set out in the income statement on page 12.

DIVIDEND

The Directors to date have declared and paid an interim dividend of 2 pence per share, for the year ended 31 December 2006.

DIRECTORS

The Directors who served during the year to date were as follows:

	APPOINTED/REAPPOINTED	RESIGNED
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	
D Parnell (Non-executive Director)	22 December 2005	25 July 2006
P P Scales (Non-executive Director)*	25 July 2006	

* P P Scales was a Director from 23 June 2005 to 22 December 2005, and was reappointed on 25 July 2006.

SECRETARY

The secretaries who served during the year to date were as follows:

	APPOINTED/REAPPOINTED	RESIGNED
D Parnell	22 December 2005	25 July 2006
P P Scales	25 July 2006	

AUDITORS

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

DIRECTORS' INTERESTS

The Directors who held office at 31 December 2006 had the following interests in the Group undertakings:

P R Klimt's interests in the Company are as follows:

REGISTERED HOLDER	NUMBER OF ORDINARY SHARES HELD	NUMBER OF NON VOTING CONTRACT FOR DIFFERENCES ("CFDS") HELD	TOTAL
Munxay Limited	4,415,986	—	4,415,986
Petalang Limited	3,514,029	—	3,514,029
Dawnay, Day Properties Ltd	—	2,269,738	2,269,738
Dawnay, Day International Ltd	—	200,000	200,000
Jetpath Limited	—	4,189,682	4,189,682
Starlight Investments	—	998,698	998,698
	7,930,015	7,658,118	15,588,134

This represents an aggregate interest of 10.72% of the issued share capital of the Company.

P R Cottrell's interest in the Company are as follows:

REGISTERED HOLDER	NUMBER OF ORDINARY SHARES HELD	NUMBER OF NON VOTING CFDS HELD	TOTAL
P R Cottrell	18,000	—	18,000

This represents an aggregate interest of 0.01% of the issued share capital of the Company.

By order of the Board

RUPERT COTTRELL
CHAIRMAN

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.

The Directors are responsible for the maintenance and integrity of the Company and Group website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

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 year ended 31 December 2006 which comprise the consolidated and individual Company income statements, the consolidated and individual Company statements of changes in equity, the consolidated and individual Company balance sheets, the consolidated and individual Company cash flow statements, and the related notes 1 to 30. 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) is set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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. 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' transactions is not disclosed.

We read the Directors' report and Chairman's statement for the above year 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 IFRSs, of the state of the Group's and individual Company's affairs as at 31 December 2006 and of the Group's and individual Company's profit for the year ended 31 December 2006. The financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

Deloitte & Touche LLP

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS
Douglas
Isle of Man
9 May 2007

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in the Isle of Man governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

INCOME STATEMENT

	Note	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Gross rental income	5	—	15,799,374	—	1,485,519
Service charge income	7	—	5,946,374	—	494,073
Service charge expense	7	—	(6,712,383)	—	(424,650)
Property operating expenses	7	—	(2,678,962)	—	(418,623)
Other property income		—	334,732	—	32,433
Net rental and related income		—	12,689,135	—	1,168,752
Changes in fair value of investment property	12	—	36,791,502	—	2,468,706
Changes in fair value of financial assets and liabilities		(1,147,166)	(1,147,166)	—	—
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/(loss)		(2,001,260)	1,387,958	433,933	608,639
Administrative expenses	8	(463,652)	(2,140,023)	(362,417)	(677,093)
Net operating profit before net financing income		(3,612,078)	47,581,406	71,516	3,638,945
Financial income		8,908,531	6,776,321	2,795,106	3,007,062
Financial expense		(619,876)	(7,597,219)	—	(1,009,461)
Net financing income/(expense)	9	8,288,655	(820,898)	2,795,106	1,997,601
Net profit before tax		4,676,577	46,760,508	2,866,622	5,636,546
Tax	10	—	(10,738,812)	—	(702,796)
Profit for the period		4,676,577	36,021,696	2,866,622	4,933,750
Attributable to:					
Equity holders of the Company	11	4,676,577	30,705,369	2,866,622	4,909,679
Minority interests	11	—	5,316,327	—	24,071
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period					
Basic earnings per share	11		21.1p		4.8p
Diluted earnings per share	11		21.0p		4.7p

	Note	2006 £	2005 £
Dividend paid for the year	23	2,908,600	—
Dividend proposed for the year	23	5,817,201	4,362,900
Total dividends for the year		8,725,801	4,362,900

STATEMENT OF CHANGES IN EQUITY

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	29	—	605,543	—	—	—	605,543
Acquisition of subsidiaries	25	—	—	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	23	—	—	—	—	(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
Balance as at 1 January 2006		1,454,300	125,556,323	229,773	(95,033)	14,674,546	141,819,909
Profit for the period		—	—	—	—	36,021,696	36,021,696
Minority interest	11	—	—	460,219	—	(460,219)	—
Dividend paid	23	—	—	—	—	(2,908,600)	(2,908,600)
Carried interest allocation to minority shareholders	27	—	—	4,856,108	—	(4,856,108)	—
Translation into presentation currency		—	—	—	(3,372,131)	—	(3,372,131)
Balance as at 31 December 2006		**1,454,300**	**125,556,323**	**5,546,100**	**(3,467,164)**	**42,471,315**	**171,560,874**

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	19	—	(5,389,998)	—	—	—	(5,389,998)
Recognition of share-based payments	29	—	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	23	—	—	—	—	(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 as at 1 January 2006		1,454,300	125,556,323	—	—	12,631,489	139,642,112
Profit for the period		—	—	—	—	4,676,577	4,676,577
Dividend paid	23	—	—	—	—	(2,908,600)	(2,908,600)
Balance as at 31 December 2006		**1,454,300**	**125,556,323**	**—**	**—**	**14,399,466**	**141,410,089**

BALANCE SHEET

	Note	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Assets					
Non-current assets					
Investment in subsidiaries	25	8,422	—	8,603	—
Investment property	12	—	368,691,607	—	87,054,370
Loan to subsidiary	13	102,501,649	—	20,430,343	—
Goodwill	14	—	16,577,691	—	3,698,346
Costs relating to future acquisitions		—	436,197	—	—
Deferred income tax assets	15	—	963,644	—	127,305
		102,510,071	386,669,139	20,438,946	90,880,021
Current assets					
Trade and other receivables	16	5,277,264	10,368,325	353,993	2,036,675
Cash and cash equivalents	17	59,173,532	75,130,888	123,466,020	126,144,770
Financial assets	18	—	2,665,925	—	399,323
		64,450,796	88,165,138	123,820,013	128,580,768
Total assets		166,960,867	474,834,277	144,258,959	219,460,789
Equity					
Issued capital	19	1,454,300	1,454,300	1,454,300	1,454,300
Share premium	19	125,556,323	125,556,323	125,556,323	125,556,323
Retained earnings		14,399,466	42,471,315	12,631,489	14,674,546
Translation reserve		—	(3,467,164)	—	(95,033)
Total equity attributable to equity holders of the parent		141,410,089	166,014,774	139,642,112	141,590,136
Minority Interest		—	5,546,100	—	229,773
Total equity		141,410,089	171,560,874	139,642,112	141,819,909
Liabilities					
Non-current liabilities					
Bank loans	20	—	189,534,695	—	60,971,511
Deferred income tax liabilities	15	—	35,335,631	—	4,943,082
		—	224,870,326	—	65,914,593
Current liabilities					
Trade and other payables	21	217,023	11,838,675	253,947	4,887,286
Bank loans	20	24,200,000	64,701,807	—	2,476,101
Provisions	22	—	728,840	—	—
Dividends payable	23	—	—	4,362,900	4,362,900
Financial liabilities	18	1,133,755	1,133,755	—	—
		25,550,778	78,403,077	4,616,847	11,726,287
Total liabilities		25,550,778	303,273,403	4,616,847	77,640,880
Total equity and liabilities		166,960,867	474,834,277	144,258,959	219,460,789

These financial statements were approved by the Board of Directors and authorised for use on 4 May 2007.

Signed on behalf of the Board of Directors by:

PATRICK RUPERT COTTRELL
NON-EXECUTIVE CHAIRMAN

PHILIP PETER SCALES
NON-EXECUTIVE DIRECTOR

CASH FLOW STATEMENT

	Note	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Cash flows from operating activities					
Cash (used in)/generated from operations	24	**(438,770)**	**2,940,450**	(28,530)	2,706,408
Income taxes paid		**—**	**(797,488)**	—	—
Net cash (used in)/generated from operating activities		**(438,770)**	**2,142,962**	(28,530)	2,706,408
Cash flows from investing activities					
Capital expenditure on investment properties		**—**	**(34,486,202)**	—	(22,849)
Capital expenditure on incomplete acquisitions		**—**	**(436,197)**	—	—
Investment in subsidiary		**—**	**—**	(8,603)	—
Interest received		**3,923,634**	**4,593,407**	2,795,106	2,470,348
Acquisition of subsidiaries	25	**—**	**(70,936,865)**	—	(6,483,768)
Loans advanced to subsidiaries before acquisition		**—**	**(22,475,812)**	—	(10,342,575)
Loan to subsidiary		**(83,885,476)**	**—**	(18,673,359)	—
Net cash used in investing activities		**(79,961,842)**	**(123,741,669)**	(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
New bank loans raised		**24,200,000**	**86,045,496**	—	—
Interest paid		**(619,876)**	**(7,075,181)**	—	(778,495)
Repayments of borrowings		**—**	**—**	—	(294,846)
Dividends paid		**(7,271,500)**	**(7,271,500)**	—	—
Net cash generated from financing activities		**16,308,624**	**71,698,815**	139,381,406	138,308,065
Net (decrease)/increase in cash and cash equivalents		**(64,091,988)**	**(49,899,892)**	123,466,020	126,635,629
Cash and cash equivalents at the beginning of the period		**123,466,020**	**126,144,770**	—	—
Exchange losses on cash and cash equivalents		**(200,500)**	**(1,113,990)**	—	(490,859)
Cash and cash equivalents at the end of the period	17	**59,173,532**	**75,130,888**	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 financial statements for Dawnay, Day Carpathian PLC (the "Group") and financial statements for the Company have been prepared for the year ended 31 December.

The Company's registered address is IOMA House, Hope 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 £140m (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 and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(B) NEW IFRS STATEMENTS

As of the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 Financial Instruments: Disclosures and the related amendment to IAS 1 on capital disclosures

IFRS 8 Operating segments

IFRIC 7 Applying the restatement approach under IAS 29

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of embedded derivatives

IFRIC 10 Interim financial reporting and impairment

IFRIC 11 IFRS 2: Group and treasury share transactions

IFRIC 12 Service concession arrangements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

(C) BASIS OF PREPARATION

The consolidated financial statements are prepared on the historical cost basis modified by 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(D) 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 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.

(E) 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 provisionally at the best estimate of 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.

The revenue and profit of the Group for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period, has not been disclosed as the information is not readily available.

(F) GOODWILL

Goodwill is allocated as described in Section (E). 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.

(G) 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.

(H) 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 where it is the lessor, rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. 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.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(I) 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 the 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.

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.

(J) 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 the 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.

(K) 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.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(L) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(M) 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.

(N) SHARE-BASED PAYMENTS

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

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.

(O) COMPARATIVES

The comparatives are for the seven month period from incorporation on 2 June 2005 to 31 December 2005.

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 15 and 25.

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:

- European Union member countries
- Non-European Union member countries

The Group currently holds investment properties in Poland, Hungary, Czech Republic, Lithuania, Romania and Latvia, 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

	2006 GROUP £	2005 Group £
Gross lease payments collected/accrued	**15,799,374**	1,485,519

The Group leases out its investment property under operating leases. All operating leases are for terms of one to 15 years.

6 OPERATING LEASES

GROUP AS LESSOR

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

	2006 GROUP £	2005 Group £
Less than one year	**21,672,252**	6,825,747
Between one and five years	**52,288,324**	16,968,387
More than five years	**55,706,774**	6,387,091
	129,667,350	30,181,225

7 NET SERVICE CHARGE INCOME AND PROPERTY OPERATING EXPENSES

	2005 Vacant £	2005 Rented out £	2005 Total £
Net service charge income			
Service charge income	—	494,073	494,073
Service charge expenses	(25,584)	(399,066)	(424,650)
	(25,584)	95,007	69,423

	2006 VACANT £	**2006 RENTED OUT £**	**2006 TOTAL £**
Net service charge income			
Service charge income	**—**	**5,946,374**	**5,946,374**
Service charge expenses	**(675,262)**	**(6,037,121)**	**(6,712,383)**
	(675,262)	**(90,747)**	**(766,009)**

PROPERTY OPERATING EXPENSES	**2006 £**	2005 £
Portfolio management fees	**796,167**	—
Property taxes and fees	**627,434**	58,887
Bad debt write off	**413,791**	24,009
Management agent fees	**338,020**	112,581
Leasing fees	**190,157**	101,757
Valuation fees	**120,027**	—
Marketing fees	**98,982**	—
Other property operating expenses	**94,384**	71,040
Insurance premium expense	**—**	39,256
Utilities expense (net)	**—**	11,093
	2,678,962	418,623

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:

	2006 £	2005 £
Generated rental income	**2,546,094**	394,849
Did not generate rental income	**132,868**	23,774
	2,678,962	418,623

8 ADMINISTRATIVE EXPENSES

	2006 COMPANY £	**2006 GROUP £**	2005 Company £	2005 Group £
Accounting fees	**—**	**401,447**	—	69,594
Other administrative expenses	**34,240**	**355,595**	1,438	14,918
Audit fees	**110,521**	**322,858**	102,878	152,047
Legal fees	**—**	**264,227**	—	61,037
Abortive acquisition costs	**—**	**233,991**	—	—
Non Executive Directors fees	**72,036**	**135,115**	34,883	34,883
Bank charges and fees	**3,717**	**88,950**	—	7,869
Portfolio management fees	**86,958**	**86,958**	67,705	67,705
Tax advisory fees	**3,055**	**84,681**	9,999	34,497
Nominated adviser fees	**60,902**	**60,902**	25,376	25,376
Public relation fees	**56,255**	**56,255**	29,495	45,462
Custody/trust fees	**35,968**	**35,968**	25,564	25,564
Irrecoverable VAT	**—**	**13,076**	20,196	20,196
Due diligence fees	**—**	**—**	44,883	117,945
	463,652	**2,140,023**	362,417	677,093

Other administrative expenses include items such as stationery, postage, telecommunications and travel.

9 NET FINANCING INCOME

	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Interest income from financial institutions	**3,923,634**	**4,593,407**	2,464,648	2,470,348
Interest income from subsidiary	**4,984,897**	**—**	330,458	—
Fair value adjustment of interest rate swaps	**—**	**2,245,782**	—	200,290
Unwinding of unrealised direct issue costs of borrowings	**—**	**(62,868)**	—	336,424
Financial income	**8,908,531**	**6,776,321**	2,795,106	3,007,062
Gross interest expenses on bank borrowings	**(619,876)**	**(7,597,219)**	—	(1,009,461)
Net financing costs	**8,288,655**	**(820,898)**	2,795,106	1,997,601

10 TAX

RECOGNISED IN THE INCOME STATEMENT	2006 GROUP £	2005 Group £
Current tax expense		
Current year	**1,108,057**	228,976
Deferred tax expense		
Origination of temporary differences	**9,630,755**	473,820
Total income tax expense in the income statement	**10,738,812**	702,796

The tax rate applicable to the Company in the Isle of Man is 0%. The tax charge of £1,108,057 (2005: £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 of 16% to 24% 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 rate reconciliation of the relationship between the tax expense and accounting profit has not been included within these accounts.

11 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2006 was based on the profit attributable to ordinary shareholders of £30,705,369 (2005: £4,909,679) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2006 of 145,430,015 (2005: 102,101,808), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	2006 GROUP £	2005 Group £
Profit for the period	**36,021,696**	4,933,750
Minority interest	**(5,316,327)**	(24,071)
Profit attributable to ordinary shareholders	**30,705,369**	4,909,679

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	2006	2005
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
Shares in issue at 31 December 2005 and 2006	**145,430,015**	—
Weighted average number of ordinary shares	**145,430,015**	102,101,808
Basic earnings per share	**21.1p**	4.8p

11 EARNINGS PER SHARE CONTINUED

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share for the year ended 31 December 2006 was based on the profit attributable to ordinary shareholders of £30,705,369 (2005: £4,909,679) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2006 of 146,515,868 (2005: 103,356,615), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (DILUTED)

	2006 GROUP £	2005 Group £
Profit for the period	**36,021,696**	4,933,750
Minority interest	**(5,316,327)**	(24,071)
Profit attributable to ordinary shareholders	**30,705,369**	4,909,679

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR THE PURPOSES OF DILUTED EARNINGS PER SHARE

	2006	2005
Weighted average number of ordinary shares	**145,430,015**	102,101,808
Effect of dilutive potential ordinary shares: share options	**1,085,853**	1,254,807
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**146,515,868**	103,356,615
Diluted earnings per share	**21.0p**	4.7p

12 INVESTMENT PROPERTY

	2006 GROUP £	2005 Group £
Balance at 1 January	**87,054,370**	—
Acquisitions through business combinations (see note 25)	**215,530,101**	83,265,238
Acquisitions through direct asset purchases	**33,832,517**	—
Additions	**653,685**	22,849
Increase in fair value	**36,791,502**	2,468,706
Foreign exchange effect	**(5,170,568)**	1,297,577
Balance at 31 December	**368,691,607**	87,054,370

The fair value of the Group's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung, independent valuers.

13 LOAN TO SUBSIDIARY

The Company has lent £102,501,649 (2005: £20,430,343) to Carpathian Holdings S.à r.l. at 31 December 2006. The loans mature on 31 December 2015. The loans carry interest at 1% per annum plus 100% of Carpathian Holdings S.à r.l. adjusted accounting profits for the relevant accounting period, which has been accrued at year end, and has been accounted for within trade and other receivables within the Company financial statements.

14 GOODWILL

	2006 GROUP £	2005 Group £
Balance at 1 January	**3,698,346**	—
Additions through business combinations (see note 25)	**14,273,200**	3,645,516
Purchase price adjustments	**(1,210,613)**	—
Foreign exchange effect	**(183,242)**	52,830
Balance at 31 December	**16,577,691**	3,698,346

15 DEFERRED TAX ASSETS AND LIABILITIES

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

	2006 GROUP ASSETS £	2006 GROUP LIABILITIES £	2005 Group assets £	2005 Group liabilities £
Investment property valuation	—	34,798,474	—	4,917,106
Interest rate swap valuation	—	323,835	—	25,976
Accrued interest payable	54,832	—	44,136	—
Tax loss's brought forward	908,812	—	29,706	—
Other temporary differences	—	213,322	53,463	—
	963,644	35,335,631	127,305	4,943,082

The movement in deferred tax in the year comprises:

	2006 GROUP £	2005 Group £
Net balance at 1 January	4,815,777	—
Origination of temporary differences (see note 10)	9,630,755	473,820
Additions through business combinations (see note 25)	20,356,791	4,263,371
Foreign exchange effect	(431,336)	78,586
Net balance at 31 December	34,371,987	4,815,777

16 TRADE AND OTHER RECEIVABLES

	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Trade receivables	—	9,016,584	—	1,197,635
Prepayments	16,817	1,351,741	19,448	666,868
Accrued interest on intercompany loans	5,260,447	—	334,545	—
Tenant deposits	—	—	—	172,172
	5,277,264	10,368,325	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 ASSETS AND LIABILITIES

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 assets and liabilities are recorded at fair value.

INTEREST RATE AND CURRENCY RISK

Exposure to 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.

CREDIT RISK

The Group's principal financial assets are bank balances and cash, trade and other receivables and interest derivative financial instruments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheets are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

18 FINANCIAL ASSETS AND LIABILITIES CONTINUED

INTEREST RATE SWAPS

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of £185,318,090 have fixed interest payments at an average rate of 3.51% for periods up until 17 October 2011 and have floating interest receipts at Euribor. The three month Euribor rate at 31 December was 3.663%.

The fair value of swaps entered into at 31 December 2006 is estimated at £2,665,925 (2005: £399,323). These amounts are based on market values of equivalent instruments at the balance sheet date.

19 SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED:

	Number of ordinary shares of 1 pence each	£
31 December 2005 and 2006	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 1 pence each.

On 17 June 2005 the authorised share capital was restructured to 200,000 shares of 1 pence each by conversion of the founder shares to 10,000 ordinary shares of 1 pence each and conversion of the unclassified shares to 190,000 ordinary shares of 1 pence 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 1 pence 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 1 pence each			
17 June 2005 conversion of founder shares	10,000	100	—
1 August 2005 – issue 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)
Balance at 31 December 2005 and 2006	145,430,015	1,454,300	125,556,323

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 and 342,933 ordinary shares at £1.08 per share to Munxay Limited in relation to the reinvestment of their profits arising on the Group's acquisition of LarchSilver Hungary Kft and Gumtree S.à r.l.

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 BHA Czech s.r.o.

On 18 November 2005 the Company passed a resolution at an Extraordinary General Meeting, 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(L).

	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Bank loans – non-current	—	189,534,695	—	60,971,511
Bank loans – current	24,200,000	64,701,807	—	2,476,101
	24,200,000	254,236,502	—	63,447,612
The borrowings are repayable as follows:				
On demand or within one year	24,200,000	65,147,290	—	2,476,101
In the second year	—	23,506,634	—	1,438,971
In the third to fifth years inclusive	—	137,759,091	—	59,873,125
After five years	—	29,132,843	—	—
	24,200,000	255,545,858	—	63,788,197
Unrealised direct issue cost of borrowings	—	(1,309,356)	—	(336,424)
Foreign exchange effect	—	—	—	(4,161)
	24,200,000	254,236,502	—	63,447,612
Less: amount due for settlement within twelve months (shown under current liabilities)	(24,200,000)	(64,701,807)	—	(2,476,101)
Amount due for settlement after twelve months	—	189,534,695	—	60,971,511

The Group has pledged each of its investment properties and its shares in the special purpose vehicles holding the investment properties to secure related interest-bearing debt facilities granted to the Group for the purchase of such investment properties. The Company's bridging facility is secured by cash.

The weighted average cost of debt of the year was 5.28%.

21 TRADE AND OTHER PAYABLES

	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Trade payables	185,064	5,559,125	82,659	2,532,906
Tenant deposits	—	1,812,527	—	610,903
Accrued interest	—	1,289,874	—	230,966
Related party payables (see note 27)	31,959	1,139,890	8,603	608,515
Tax payable	—	869,369	—	258,424
Accrued expenses	—	704,475	162,685	192,589
Income received in advance	—	390,627	—	452,983
Subsidiary purchase price adjustment payable	—	72,788	—	—
	217,023	11,838,675	253,947	4,887,286

22 PROVISIONS

	2006 GROUP £	2005 Group £
Provision at 31 December	728,840	—

This provision relates to a single unsettled legal dispute between a Group's subsidiary, Elas Business Development Sp. z o.o. and the Polish State Treasury relating to increased perpetual usufruct charges levied against Elas Business Development Sp. z o.o. during a period from 2002 to 2004. This potential liability was fully provided for at 31 May 2006, the acquisition date of Elas Business Development Sp. z o.o by the Group. The Group has provided for the full potential liability which is equal to £728,840, and consists of £686,027 which was the liability at the date of acquisition and £42,813 which relates to penalty charges accruing on the unpaid amount during the period from 1 June 2006 to 31 December 2006.

23 DIVIDENDS

	2006 £	2005 £
Dividends paid during the year	**2,908,600**	4,362,900

An interim dividend of 2 pence per share for the year ended 31 December 2006 was declared on 28 September 2006, and paid on 3 November 2006 to ordinary shareholders on the register at close of business on 6 October 2006.

A further dividend of 4 pence for the year ended 31 December 2006 has been declared on 23 April 2007 and will be paid on 25 May 2007 to ordinary shareholders on the register at close of business on 4 May 2007. As required by IFRS this dividend is not recognised in the financial statements until appropriately authorised.

24 NOTES TO THE CASH FLOW STATEMENT

CASH GENERATED FROM OPERATIONS	2006 COMPANY £	2006 GROUP £	2005 Company £	2005 Group £
Profit for the period	**4,676,577**	**36,021,696**	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	**—**	**(2,245,782)**	—	(200,290)
Increase in fair value of financial liabilities	**1,147,166**	**1,147,166**	—	—
Unwinding of unrealised direct issue costs of borrowings	**—**	**62,868**	—	(336,424)
Net other finance income	**(8,288,655)**	**3,003,812**	(2,795,106)	(1,460,887)
Increase in fair value of investment property (see note 12)	**—**	**(36,791,502)**	—	(2,468,706)
Income tax expense	**—**	**10,738,812**	—	702,796
Unrealised foreign exchange loss/(gain)	**2,001,260**	**(1,387,958)**	—	—
Operating cash flows before movements in working capital	**(463,652)**	**10,549,112**	71,516	1,100,298
Decrease/(increase) in receivables	**61,625**	**(3,091,073)**	(353,993)	5,864,791
(Decrease)/increase in payables	**(36,743)**	**(4,517,589)**	253,947	(4,258,681)
Cash (used in)/generated from operations	**(438,770)**	**2,940,450**	(28,530)	2,706,408

25 ACQUISITION OF SUBSIDIARIES

The following list is in historical order.

PECS 2002 KFT, SOPRON PLAZA KFT, SZOMBATHELY PLAZA KFT AND VESZPRÉM PLAZA KFT

On 31 May 2006, the Group acquired 100% of the issued capital of Pecs 2002 Kft, Sopron Plaza Kft, Szombathely Plaza Kft and Veszprém Plaza Kft for a total consideration of £16,204,782 from a related party, Navidad Investments SA. The consideration was settled by way of cash of £9,283,465 and the assignment of four intercompany loans of £5,424,951, with the balance of the consideration still remaining payable at 31 December 2006. This has subsequently been settled on 19 March 2007. Each of the four subsidiaries acquired, held investment property collectively and independently valued at £41,786,546 as at 31 May 2006. Please see note 27 for details of the related party relationships.

SYCAMORE S.À R.L.

On 31 May 2006, the Group paid a cash consideration of £1,617,747 for 100% of the issued capital of Sycamore S.à r.l. from a related party, Perriniana Limited. Sycamore S.à r.l owned 100% of the issued share capital of Framsden Holdings Ltd, which owned 100% of the issued share capital of Investpol S.A., which owned 100% of the issued share capital of Elas Business Development Sp. z o.o. which held an investment property independently valued at £94,533,498 as at 31 May 2006.

As part of the consideration arrangements, Perriniana Limited is also to receive deferred consideration of up to a maximum of £7,509,956, which would ordinarily be reinvested in the Company by way of subscription for ordinary shares as disclosed in the Company's AIM admission document. However, Perriniana Limited has agreed to defer this element of the consideration, which would otherwise have been received by it on completion of this transaction, to allow all or part of it to be offset against certain identified potential liabilities which may be incurred by Sycamore S.à r.l or its subsidiaries.

In the event that such liabilities do not crystallise, the deferred element of the consideration will become due to Perriniana Limited via a put and call option entitling and requiring Petalang Limited to subscribe for new ordinary shares in the Company for an aggregate amount equal to the deferred consideration actually received by Perriniana (after tax) at an exercise price of 92.8 pence per share, being the average closing mid market price of ordinary shares in the Company for the five dealing days immediately preceding 31 May 2006.

Please see note 27 for details of the related party relationships.

25 ACQUISITION OF SUBSIDIARIES CONTINUED

ZALAEGERSZEG 2002 KFT

On 3 August 2006, the Group paid a cash consideration of £494,984 for 100% of the issued capital of Zalaegerszeg 2002 Kft which held a plot of land valued at £1,098,678 as at 3 August 2006.

LANOBIS S.R.L. AND S.C.A.W.G. MACRO S.R.L.

On 18 August 2006, the Group acquired 100% of the issued capital of Lanobis S.R.L. and S.C.A.W.G. Macro S.R.L, for a total consideration of £12,855,446. The consideration was settled by way of cash £9,648,819 and the assignment of an intercompany loan of £3,206,626. Lanobis S.R.L. held an investment property independently valued at £13,197,076 as at 18 August 2006.

HRPP HUNGARIAN REAL PROPERTY PARTNERS KFT

On 29 September 2006, the Group paid a cash consideration of £2,937,561 for 100% of the issued capital of HRPP Hungarian Real Property Partners Kft which held an investment property independently valued at £11,506,701 as at 29 September 2006.

SCD RÉGIÓ KFT, A-INVEST KFT, ELEF PROPERTY KFT AND MARKET-ESTATE KFT

Between 3 November 2006 and 22 December 2006, the Group paid a total cash consideration of £51,366,838 for 100% of the issued capital of SCD Régió Kft. SCD Régió Kft owned 100% of the issued share capital of A-Invest Kft, Elef Property Kft and Market-Estate Kft which combined, held 22 investment properties collectively and independently valued at £53,407,602.

On 23 February 2007 the Group acquired the 23rd property in the portfolio, the Interfruct store located in Siófok, Hungary for a net cash consideration of £2,313,599 (see note 30).

SUMMARY OF ACQUISITIONS

	Veszprém Plaza Kft £	Pecs 2002 Kft £	Sopron Plaza Kft £	Szombathely Plaza Kft £	Sycamore S.à r.l. £
Assets					
Investment property	9,727,360	15,687,080	11,782,436	4,589,670	94,533,498
Financial assets	—	—	—	—	—
Trade and other receivables	142,918	204,397	237,241	68,724	3,021,176
Cash and cash equivalents	681,925	2,173,468	762,879	248,859	263,167
Loan to subsidiary	306,929	4,111,785	897,868	108,369	—
Liabilities					
Borrowings	(7,658,182)	(12,673,751)	(8,467,144)	(3,235,851)	(68,502,534)
Deferred income tax	(694,100)	(1,039,890)	(472,183)	301,584	(11,380,333)
Trade and other payables	(549,273)	(2,232,542)	(656,211)	(103,494)	(1,772,427)
Provisions	—	—	—	—	(697,494)
Internal borrowings	—	—	—	—	(19,269,186)
Net asset value	1,957,577	6,230,547	4,084,886	1,977,861	(3,804,133)
Goodwill	705,578	1,058,407	486,087	(296,158)	5,421,880
Total consideration	2,663,155	7,288,954	4,570,973	1,681,703	1,617,747
Satisfied by:					
Cash	1,956,950	2,827,120	3,192,422	1,306,973	1,617,747
Assignment of loans	306,929	4,111,785	897,868	108,372	—
Purchase price payable	399,276	350,049	480,683	266,358	—
	2,663,155	7,288,954	4,570,973	1,681,703	1,617,747
Net cash outflow arising on acquisition:					
Cash consideration	(1,956,950)	(2,827,120)	(3,192,422)	(1,306,973)	(1,617,747)
Cash and cash equivalents acquired	681,925	2,173,468	762,879	248,859	263,167
	(1,275,025)	(653,652)	(2,429,543)	(1,058,114)	(1,354,580)
Net contribution of acquiree since date of acquisition to Group profit for the year ended 31 December 2006	3,337,218	671,246	1,530,484	(566,191)	12,201,638

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS CONTINUED

	Zalaegerszeg 2002 Kft £	Lanobis S.R.L. and S.C.A.W.G. Macro S.R.L. £	HRPP Hungarian Real Property Partners Kft £	SCD Régió Kft, A-Invest Kft, ELEF Property Kft and Market Estate Kft £	TOTAL £
Assets					
Investment property	1,098,678	13,197,076	11,506,701	53,407,602	**215,530,101**
Financial assets	—	—	39,935	—	**39,935**
Trade and other receivables	(87)	350,248	262,161	1,105,048	**5,391,826**
Cash and cash equivalents	(68)	98,499	107,452	76,368	**4,412,549**
Loan to subsidiary					**5,424,951**
Liabilities					
Borrowings	—	—	(7,907,541)	(263,145)	**(108,708,148)**
Deferred income tax	—	(1,517,947)	(312,570)	(5,241,352)	**(20,356,791)**
Trade and other payables	(605,347)	(768,184)	(852,947)	(3,023,157)	**(10,563,582)**
Provisions	—	—	—	—	**(697,494)**
Internal borrowings	—	—	—	—	**(19,269,186)**
Net asset value	493,176	11,359,692	2,843,191	46,061,364	**71,204,161**
Goodwill	1,808	1,495,754	94,370	5,305,474	**14,273,200**
Total consideration	494,984	12,855,446	2,937,561	51,366,838	**85,477,361**
Satisfied by:					
Cash	494,984	9,648,819	2,937,561	51,366,838	**75,349,414**
Assignment of loans	—	3,206,627	—	—	**8,631,581**
Purchase price payable	—	—	—	—	**1,496,366**
	494,984	12,855,446	2,937,561	51,366,838	**85,477,361**
Net cash outflow arising on acquisition:					
Cash consideration	(494,984)	(9,648,819)	(2,937,561)	(51,366,838)	**(75,349,414)**
Cash and cash equivalents acquired	(68)	98,499	107,452	76,368	**4,412,549**
	(495,052)	(9,550,320)	(2,830,109)	(51,290,470)	**(70,936,865)**
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2006	409,280	258,979	148,225	2,263,976	**20,254,855**

During the year, the Group acquired fourteen special purpose vehicles ("SPV's"), to be used as holding companies and acquisition vehicles, for a total cash consideration of £117,377. Please see note 26 for details of the SPV's acquired.

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS IN 2005

	Carpathian properties S.à r.l. £	Gumtree S.à 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	—	—	(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)**

26 GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES

	Country of incorporation	Ownership interest
Carpathian Holdings S.à r.l.	Luxembourg	100%
Carpathian Properties S.à r.l.	Luxembourg	75%
Gumtree S.à r.l.	Luxembourg	100%
Sycamore S.à r.l.	Luxembourg	100%
Investpol S.A.	Luxembourg	100%
Acacia S.à r.l.*	Luxembourg	100%
Darena Investments Sp. z o.o.	Poland	100%
Valora Investments Sp. z o.o.	Poland	100%
Magnor Investments Sp. z o.o.	Poland	100%
Maine Investments Sp. z o.o.	Poland	100%
Elas Business Development Sp. z o.o.	Poland	100%
Savana Investments Sp. z o.o	Poland	100%
Grand Investments Sp. z o.o.*	Poland	100%
Marise Investments Sp. z o.o.*	Poland	100%
Ninette Investments Sp. z o.o.*	Poland	100%
Tiburon Investments Sp. z o.o.*	Poland	100%
Euro Mall Karlovy Vary a.s.	Czech	90%
Mili Estates s.r.o.*	Czech	100%
Antana Kft	Hungary	100%
Larchsilver Kft	Hungary	100%
Pecs 2002 Kft	Hungary	100%
Sopron Plaza Kft	Hungary	100%
Szombathely Plaza Kft	Hungary	100%
Veszprém Plaza Kft	Hungary	100%
Balaton Properties Kft*	Hungary	100%
Szombat Properties Kft*	Hungary	100%
Sopplaza Properties Kft*	Hungary	100%
Jarrahpec Properties Kft*	Hungary	100%
Zalaegerszeg 2002 Kft	Hungary	100%
Ironbark Holding Kft*	Hungary	100%
HRPP Hungarian Real Property Partners Kft	Hungary	100%
Mallee Holding Kft*	Hungary	100%
SCD Régió Kft	Hungary	100%
A-Invest Kft	Hungary	100%
ELEF Property Kft	Hungary	100%
Market-Estate Kft	Hungary	100%
Lanobis S.R.L.	Romania	100%
S.C.A.W.G. Macro S.R.L.	Romania	100%
Mulga UAB*	Lithuania	100%
Stringybark SIA*	Latvia	100%
Framsden Holdings Ltd	Cyprus	100%

*These Special Purpose Vehicles ("SPV's") were acquired during the year ended 31 December 2006, for a total consideration of £117,377. The net asset values of these entities at acquisition date was negligible.

27 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.

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

	2006 PAYABLES £	2006 EXPENSES £	2005 Payables £	2005 Expenses £
TRADING TRANSACTIONS				
Portfolio management fee charged by Dawnay, Day Europe Ltd.	—	**883,125**	—	67,705
Unpaid portfolio management fee charged by Dawnay, Day Europe Ltd. at 31 December	**337,295**	—	59,584	—
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 by IOMA Fund and Investment Management Limited	—	**12,598**	—	22,252
IOMA Fund and Investment Management Limited was appointed as Secretary of the Company and delegates one Non-Executive Director to the Board				
LOANS				
Loan from Marba Investments S.à r.l. at 31 December	**227,019**	—	180,420	—
Interest expense on loan from Marba Investments S.à r.l.	—	**11,055**	—	939
Loan from Antana1 Ltd. at 31 December	**287,788**	—	184,256	—
Interest expense on loan from Antana1 Ltd.	—	**19,535**	—	2,912
Loan from Antana2 Ltd. at 31 December	**287,788**	—	184,256	—
Interest expense on loan from Antana2 Ltd.	—	**19,535**	—	2,912
The loans relate to acquisitions of subsidiaries, where not all loans from the vendor were fully repaid.				
Total related party payables at 31 December	**1,139,890**		608,516	

ACQUISITIONS

The acquisitions of Pecs 2002 Kft, Sopron Plaza Kft, Szombathely Plaza Kft, Veszprém Plaza Kft and Sycamore S.à r.l. subsidiaries during the year ended 31 December 2006 are all considered to be related party transactions. Each of these acquisition transactions detailed, was included in the Pipeline Agreement dated 20 July 2005, which stated that the vendor would reinvest any profit they made on these transactions.

Peter Klimt (Non Executive Director of the Board) and a Director of Dawnay, Day Europe Limited, Massimo Marcovecchio (Joint Managing Director of Dawnay, Day Europe Limited) and Paul Rogers (Joint Managing 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.

Please see note 25 for details of the acquisitions.

CARRIED INTEREST

Sanary Investments S.à r.l., has the right to a carried interest. In any year Sanary Investments S.à 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 and distributed to its shareholders.

If the hurdle is achieved then Sanary Investments S.à 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.à 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.à r.l. will be entitled to any further carried interest.

As at 31 December 2006 the cumulative realised return of the Group, determined on a cash basis, does not reach the hurdle rate of 8% and hence no carried interest is payable to Sanary.

As at 31 December 2006 the cumulative accounting results of the Group are approximately £35,705,624 (after recouping the cost of issuing shares). This compared to the 8% hurdle point of £16,424,650 and the 20% hurdle point of £41,061,624, would entitle Sanary Investments S.à r.l. to a carried interest of £4,856,108 had all the unrealised profits be crystallised in the year. This amount has been included within the minority interest. This does not take into account any future transaction costs needed to realise any unrealised gains.

28 CAPITAL COMMITMENTS

The Group has no significant capital commitments at 31 December 2006 (2005: Nil).

29 SHARE-BASED PAYMENTS

As part of the costs directly attributable to the issue of shares in 2005, Numis Securities Limited was partly compensated by way of granting to Numis the right to subscribe for 1,750,125 ordinary shares of 1 pence each at a subscription price of £1 per share.

Numis has five 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 £597,216 (2005: £605,543).

On 23 February 2007 Numis exercised its right to purchase 600,000 ordinary shares (See note 30).

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

	2006 £	2005 £
Strike price of option	**1.00**	1.00
Share price at 31 December 2005/2006	**1.08**	1.15
Remaining option period (years)	**3.50**	4.50
Risk free interest rate	**5.2%**	4.1%
Volatility	**27.9%**	15.7%

30 EVENTS AFTER THE BALANCE SHEET DATE

COMPLETION OF THE INTERFRUCT TRANSACTION

On 23 February 2007 the Group acquired the Interfruct store located in Siófok, Hungary for a net cash consideration of £2,313,599.

EXERCISE OF NUMIS SHARE OPTIONS

On 23 February 2007 Numis exercised its right to purchase 600,000 ordinary shares at a £1 per share. The closing market price of the shares was £1.3225 per share.

GALLERIA PATOLLO SHOPPING CENTRE IN RIGA, LATVIA

On 12 April 2007 the Group agreed the purchase of a 55% stake on completion of the development of the Galleria Patollo shopping centre in Riga, Latvia. Under the agreement, the Group is committed to provide staged, conditional payments of £21.8 million of equity to partially fund the project, and is expecting to also invest up to a further £6.8 million during the project period.

DIVIDEND DECLARATION

On 23 April 2007 the Directors declared a final dividend of 4 pence per share for the year ended 31 December 2006 (see note 23), and declared an interim dividend of 3.33 pence per share for the year ended 31 December 2007.

PLACING OF NEW ORDINARY SHARES

On 24 April 2007 the Group announced its intention to raise £100 million by means of a placing of 83,333,334 new ordinary shares at £1.20 per share. The net proceeds of the placing will be used to fund the Company's continuing investment programme and new business opportunities including the development and regeneration of properties in Central and Eastern Europe. The placing is conditional upon the passing of resolutions by shareholders to, inter alia, increase the Company's share capital and to grant the necessary authorities to allot the placing shares, at the Extraordinary General Meeting scheduled for 17 May 2007. Dealings in the placing shares are expected to commence on or around 18 May 2007.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2007 ANNUAL GENERAL MEETING of the Company (the "Annual General Meeting") will be held at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP on 10 September 2007, at 10.00 a.m.

A. At the Annual General Meeting, the following ordinary business will be transacted:

The consideration and, if thought fit, passing of the following resolutions which will be proposed as ordinary resolutions:

1. THAT the audited accounts of the Company for the period ended 31 December 2006 and the reports of the Directors and the Auditors and any other document required to be annexed thereto be and they are hereby considered and adopted.
2. THAT W A Hamilton-Turner who, having agreed to retire but, being eligible, offers himself for re-election, be and he is hereby re-appointed as a Director of the Company.
3. THAT Deloitte & Touche, Douglas, Isle of Man be and they are hereby re-appointed as Auditors to the Company and that the Directors be and they are hereby authorised to determine their remuneration.

B. In addition, the following special business will be transacted:

The consideration and, if thought fit, passing of the following resolution which will be proposed as a special resolution:

4. THAT in revocation of any existing general authority granted to the Directors for the purposes of article 10.1 of the Articles of Association, the Directors be generally and unconditionally authorised in accordance with article 10.1 of the Company's Articles of Association to exercise all the powers of the Company to allot ordinary shares of £0.01 each up to an aggregate nominal value equal to the authorised but unissued ordinary share capital of the Company; such authority to expire (unless and to the extent previously revoked, varied or renewed by the Company in General Meeting) at the conclusion of the next Annual General Meeting of the Company; provided that the authority shall allow the Company to make an offer or enter into an agreement which would or might require ordinary shares to be allotted after this authority expires.

The consideration and, if thought fit, passing of the following resolution which will be proposed as a special resolution:

5. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 13 of the Companies Act 1992) of ordinary shares in the capital of the Company provided that:
   (a) the maximum number of ordinary shares of 1p each in the capital of the Company (ordinary shares) authorised to be acquired is a number of ordinary shares representing not more than 10% of the issued share capital of the Company;
   (b) the minimum price that may be paid for each ordinary share is £0.01 (nominal value);
   (c) the maximum price that may be paid for each ordinary share is an amount equal to 105% of the average of the mid-market quotation for an ordinary share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the ordinary shares are contracted to be purchased;
   (d) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time; and
   (e) the Company may make a contract to acquire its ordinary shares under the authority conferred prior to the expiry of such authority, which will or may be executed wholly or partly after such authority and may purchase its ordinary shares in pursuance of any such contract.

The consideration and, if thought fit, passing of the following resolution which will be proposed as a special resolution:

6. THAT the provisions of Regulation 10.2 of the Company's Articles of Association requiring ordinary shares proposed to be issued for cash first to be offered to the members in proportion as nearly as may be to the number of the existing shares held by them respectively be and it is hereby disapplied in relation to any allotment of ordinary shares pursuant to the authority in Resolution 5 above; and that the authority so granted to the Directors to allot ordinary shares by such disapplication expire (unless and to the extent previously revoked, varied or renewed by special resolution) at the conclusion of the next Annual General Meeting of the Company; provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require ordinary shares to be allotted after such authority expires.

The consideration and, if thought fit, passing of the following resolution which will be proposed as a special resolution:

7. THAT the investing strategy of the Company be approved. The investment objective is to seek to provide consistent long-term capital growth through a policy of investing in property in Central and Eastern Europe.

By order of the Board

P P SCALES
COMPANY SECRETARY
Dated 11 June 2007

REGISTERED OFFICE:
IOMA HOUSE
HOPE STREET
DOUGLAS
ISLE OF MAN IM1 1AP

NOTES:

1. A member who is entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him or her in respect of such shares. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed which, to be valid, must be completed and delivered, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of such authority) to the Company's Registrar, IOMA Fund and Investment Management Limited, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP so as to arrive not later than 10.00 a.m. on 8 September 2007, being 48 hours before the time of the meeting.
3. Completion and return of a Form of Proxy does not preclude a member from attending and voting in person should they wish to do so.
4. The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2005 (Isle of Man), specifies that only those members registered in the register of members as at 10.00 a.m. on 8 September 2007 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be entitled to attend or vote at the meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after 10.00 a.m. on 8 September 2007 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FORM OF PROXY

For use at the Annual General Meeting

I/We ....

Please insert full name(s) in BLOCK CAPITALS

of ....

....

being (a) shareholder(s) of the Company hereby appoint each Director and the secretary of the Company severally or

.... (see note 1)

as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of Shareholders of the Company to be held on 10 September 2007 and at any adjournment thereof.

Please indicate with an "X" in the space below how you wish your votes to be cast in respect of the resolution which is set out in the notice convening the meeting. If no specific direction as to voting is given, the proxy will vote at his discretion.

ORDINARY RESOLUTIONS	FOR	AGAINST
1. To approve accounts for the period ended 31 December 2006.		
2. To re-elect W A Hamilton-Turner as a Director.		
3. To re-appoint auditors.		
SPECIAL RESOLUTIONS	**FOR**	**AGAINST**
4. To renew powers of the Company to allot ordinary shares of £0.01 each.		
5. To renew the authority of the Company to make market purchases of ordinary shares in the capital of the Company.		
6. To renew the authority to disapply pre-emption rights.		
7. To approve the investment strategy of the Company.		

Date: ....

Signature: ....

NOTES:

1. If you wish to appoint another person to be your proxy instead of a Director or the secretary of the Company, you should delete the relevant words and write the name of your proxy in the space provided and initial the alteration.
2. The form must (a) in the case of an individual be signed by the appointer or his attorney duly authorised in writing; and (b) in the case of a corporation be executed under its common seal or signed by an officer or attorney so authorised.

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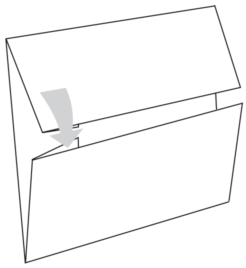

Business Reply
Licence Number
D096

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second fold

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