DAWNAY, DAY CARPATHIAN PLC
ANNUAL REPORT 2007

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.

HIGHLIGHTS

OPERATIONAL

- The Company is substantially invested, having spent or committed approximately 95% of its funds, leaving the Company ideally placed to be fully invested well ahead of the target investment timetable of 31 December 2008
- The Group completed a total of eight acquisitions, comprising three retail property portfolios and five retail development sites
- The portfolio has been revalued at £523.1 million (2006: £368.7 million) as at 31 December 2007, a net uplift of £16 million. Net uplift is the difference between the 31 December 2007 DTZ valuations and those at 31 December 2006 or subsequent cost for those properties acquired during the year

FINANCIAL

- Adjusted NAV per share[*] increased by 8% to 136.7 pence (2006: 126.7 pence)
- Proposed final dividend of 3.34 pence per share giving a total dividend of 10 pence per share (2006: 6 pence)
- Net rental and related income increased by 91% to £24.3 million (2006: £12.7 million)
- Adjusted profit before tax[**] increased by 18.5% to £11.5 million (2006: £9.7 million)
- Adjusted earnings per share[***] 12 pence (2006: 26.7 pence)

* Adjusted NAV excludes goodwill and deferred tax on property valuations.

** Adjusted profit before tax excludes revaluation gains and losses on property, financial assets and liabilities and foreign exchange.

*** Adjusted EPS excludes unrealised deferred tax charge on revaluation surplus.

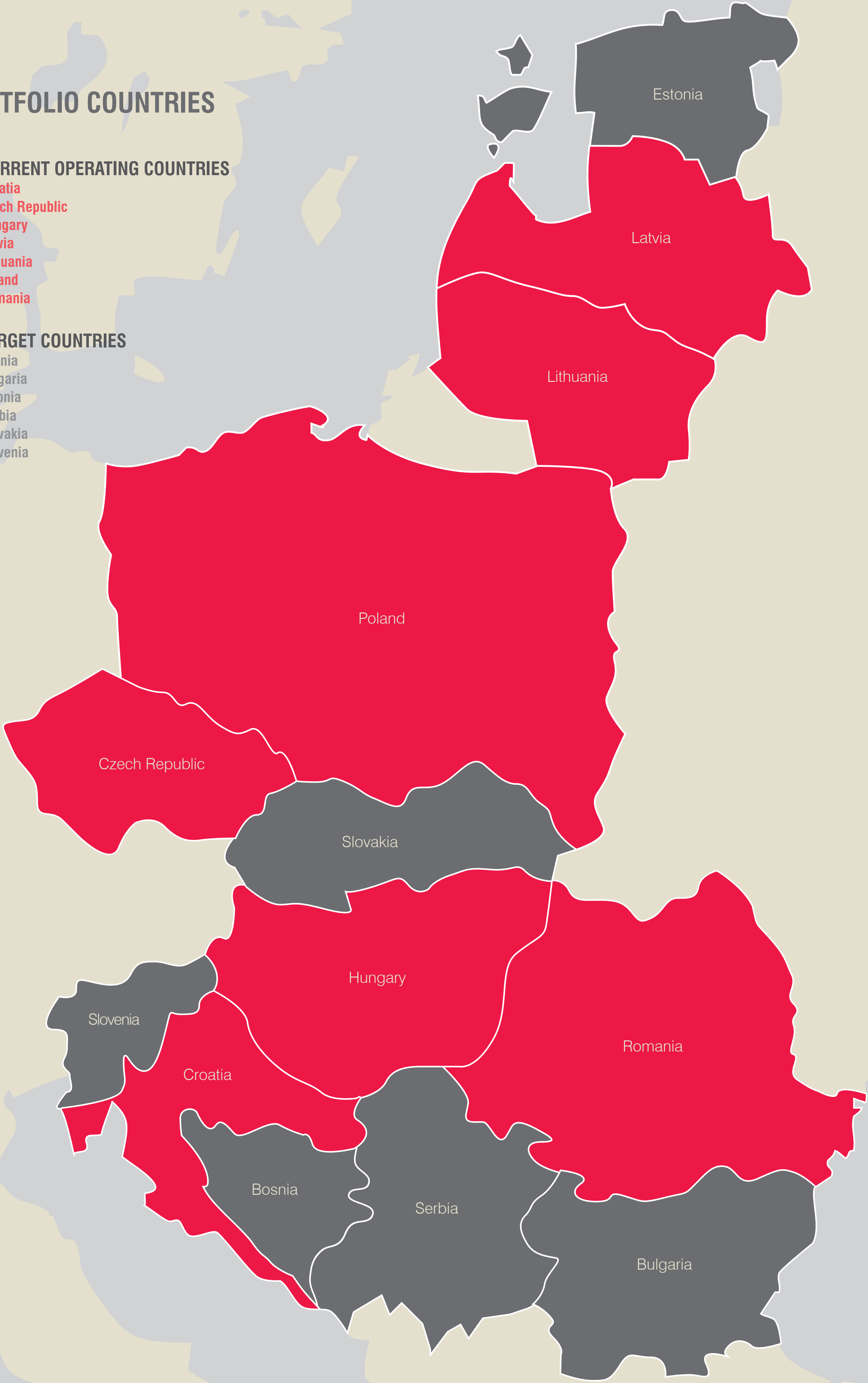
PORTFOLIO COUNTRIES

CURRENT OPERATING COUNTRIES

- Croatia
- Czech Republic
- Hungary
- Latvia
- Lithuania
- Poland
- Romania

TARGET COUNTRIES

- Bosnia
- Bulgaria
- Estonia
- Serbia
- Slovakia
- Slovenia



CHAIRMAN'S STATEMENT

MACROMALL
Brasov, Romania

BABILONAS
Panevėžys, Lithuania

I am pleased to report that the Group has made significant progress during 2007.

In May 2007, the Company successfully raised a further £100 million (before expenses) by means of a placing (the "Placing") of 83,333,334 new ordinary shares at 120 pence per share. Together with the proceeds raised from the Company's Admission to trading on AIM in July 2005, the Company has now raised proceeds of £240 million (before expenses). At the time of the Placing, the Company also sought to participate in development and regeneration projects by investing up to 25% of its equity into retail property development and regeneration projects.

The Group has largely completed its investment programme well ahead of the target timetable of December 2008 set at the time of the Placing. The Group now has a well diversified portfolio of 55 property assets across seven countries in Central and Eastern Europe. The Company has built a good reputation and track record within its target markets, developing strong relationships with local businesses through its property investment adviser, Dawnay, Day PanTerra.

As the Company has now substantially invested the entire net proceeds of the Placing, the primary focus is on active portfolio and individual asset management, together with development initiatives in order to provide rental and capital growth opportunities.

OPERATIONS

During the year, the Group completed a total of eight acquisitions, comprising three retail property portfolios and five retail development sites.

The Marina Mokotow transaction comprises 31 retail units in an upmarket residential development in Warsaw. In October 2007, the Group also acquired a portfolio comprising two properties in Hungary and two in the Czech Republic, which will provide secure, long term income flow, being let to major international brand retailers on long leases. Finally, in December 2007, the Group completed the purchase of six supermarkets in Croatia, the Company's first purchase in that country. The units, in excess of 32,000 sqm, are let to the largest retailer in Croatia.

As at 31 December 2007, the Group had acquired investment properties at a total cost of £429.6 million, with an annualised rent roll in excess of £33.5 million and a blended net initial yield of 7.8%.

During the course of the year, the Group also acquired a pipeline of four development opportunities in Romania, for a total cost of £37.3 million, allowing the Company to establish a strong presence in that country. All of these projects will be undertaken in conjunction with our joint venture, Atrium Developments. Current plans provide for the development of over

PROPERTY PORTFOLIO SUMMARY

INVESTMENT PORTFOLIO

Country	Location	Property	Purchase price £m	DTZ valuation £m
Czech Republic	Karlovy Vary	Varyada Shopping Centre	26.8	38.3
Czech Republic	Czech Republic	MID portfolio: two properties (acquired October 2007)	28.8	30.4
Czech Republic total			55.6	68.7
Hungary	Budaors	Antana Logistic Park	14.2	16.7
Hungary	Hungary	Plaza portfolio: four properties	44.4	58.9
Hungary	Budapest	Ericsson Office Building Complex	11.5	12.3
Hungary	Hungary	Interfruct portfolio: 23 properties	55.8	63.4
Hungary	Hungary	MID portfolio: two properties (acquired October 2007)	20.8	22.0
Hungary total			146.7	173.3
Latvia	Riga	Blaumana 12	8.5	9.4
Latvia total			8.5	9.4
Lithuania	Panevezys	Babilonas Shopping Centre	23.0	26.0
Lithuania total			23.0	26.0
Poland	Poland	Geant portfolio: four properties	42.3	61.4
Poland	Warszawa	Promenada Shopping Centre	94.5	122.8
Poland	Slupsk	Biedronka Supermarket	0.8	1.1
Poland	Warszawa	Marina Mokotow (acquired October 2007)	4.4	5.2
Poland total			142.0	190.5
Romania	Brasov	Macromall Shopping Centre	13.1	13.5
Romania total			13.1	13.5
Croatia	Croatia	Agrokor portfolio: six properties (acquired December 2007)	40.7	41.7
Croatia total			40.7	41.7
Grand total			429.6	523.1

DEVELOPMENT PORTFOLIO

Country	Location	Property	Purchase price £m	DTZ valuation* £m
Romania	Arad	Development site with permits	8.2	9.3
Romania	Baia Mare	Development site with permits	12.4	13.4
Romania	Cluj Napoca	Development site with permits	9.7	11.2
Romania	Satu Mare	Development site with permits	7.0	7.5
Romania total			37.3	41.4

* Valuation at purchase, and capitalised costs.

150,000 sqm, with an end value in excess of approximately £300 million. Heads of terms have already been agreed with a number of reputable operators and anchor tenants. Construction is expected to commence in the second half of 2008, spanning a two to three year period. Further, the Company is also in advanced negotiations with several banks with whom it has established relationships in relation to the arrangement of development financing for the projects.

In addition, the Group has also entered into a forward purchase agreement to act as a development funding partner in exchange for a 55% interest in a prime, city centre retail development in Riga, with a planned opening in the second quarter of 2010. This development has secured 100% of the construction financing required and the leasing discussions are progressing well.

PROPERTY PORTFOLIO SUMMARY

INVESTMENT PORTFOLIO

The gross lettable area of the portfolio is approximately 400,000 sqm, and the Company's property investment adviser, Dawnay, Day PanTerra, has identified the potential to increase this by approximately 20% over the next few years.

The revaluation surplus at 31 December 2007 at the individual property level varies due to the length of actual ownership of each property. The Antana Logistic Park and the Ericsson Office Building complex were both acquired with the intention of implementing regeneration projects to maximise their future value while providing attractive income yields at present.

DEVELOPMENT PORTFOLIO

The planned gross lettable area of the four developments in Romania is expected to exceed 150,000 sqm.

When completed, the Riga development will be in excess of 35,000 sqm, and the Company has invested approximately £20.3 million in the project to date, in the form of an asset backed loan.

FINANCIAL

The net rental and related income for the year amounted to £24.3 million, an increase of 91% over 2006, reflecting a first-time, full year contribution from those properties acquired in 2006 and the acquisitions made during 2007.

The portfolio has been valued by DTZ Debenham Tie Leung Limited ("DTZ") as at 31 December 2007 at £523.1 million, giving a net uplift of £16 million compared to the 31 December 2006 valuation (or the purchase price if acquired thereafter). The cumulative revaluation surplus amounts to £55.2 million (excluding foreign exchange movements).

As the Group's functional currency is the Euro, and its presentation currency is Sterling, the continued strengthening of the Euro against Sterling had to be presented in the financial statements in accordance with IFRS. This has resulted in an unrealised foreign exchange loss on its Sterling cash deposits of £7.0 million over the period, while a net unrealised gain of £23.1 million on the Euro denominated property valuation was classified under the translation reserve. The present

AGROKOR PORTFOLIO
Samobor, Croatia

PLAZA PORTFOLIO
Balaton, Hungary

FINANCIAL CONTINUED

strengthening of the Euro benefits the shareholders of the Group as it is the underlying currency for the majority of its rental income.

The Company overall generated a net profit before tax of £21.9 million. Adjusted profit before tax, which excludes any fair value and exchange movements amounted to £11.5 million, an increase of 18% over 2006.

Basic earnings per share were 8.3 pence, while the diluted earnings per share is 7.3 pence for the year. The adjusted earnings per share excluding the unrealised tax liabilities is 12 pence for the year.

The net asset value per share, adjusted to exclude goodwill and associated deferred tax liabilities arising on the property valuations, has risen to 136.7 pence from 126.7 pence, an increase of 8%. Non-adjusted, net asset value per share has also risen, to 123.9 pence from 114.2 pence at 31 December 2006, an increase of 8.5%.

At 31 December 2007, the Group's borrowings totalled £310.4 million, representing a loan to value ratio of 57% and a loan to cost ratio of 69% of the investment property. Following the £30 million refinancing of the Agrokor Portfolio in March 2008, the loan to value ratio has risen to 62% and a loan to cost ratio of 76% of the investment property. The above loan balance also includes land and development related financing at a total amount of £13.7 million.

All loans are secured against properties and are denominated in Euros. The weighted average interest rate for the year was 5.52%. Hedging instruments are in place for all loans, which swap the variable Euribor rate to fixed rate with a weighted average rate of 3.7%.

The Group actively manages its cash flow to deliver maximum returns. At the 2007 year end, the Group's current liabilities were temporarily higher than its current assets which was primarily due to the equity invested into the Agrokor project. The purchase contract provided for the transaction to be rescinded should debt financing be unavailable. However, as the debt financing was successfully completed, in March 2008 the Group has, as anticipated returned to a positive balance of current assets and liabilities.

DIVIDENDS

A first interim dividend of 3.33 pence per share for the year ending 31 December 2007 was declared in April 2007 and was paid in September 2007.

A second interim dividend, also of 3.33 pence per share, was declared in November 2007 and paid in January 2008. This second interim dividend was the first dividend in respect of which the new placing shares issued in May qualified for.

MID PORTFOLIO
Hradec Kralove, Czech Republic

ATRIUM DEVELOPMENTS
Arad, Romania

The Board intends to declare, subject to shareholder approval, a final dividend for the year, of 3.34 pence per share. This will result in an aggregate dividend payment of 10 pence per share for the year ending 31 December 2007, which achieves the Board's previously stated target.

In light of the markedly different economic climate, and the impact this has had on the property sector, the Board has set a new dividend objective for 2008 of 8 pence per share which still represents an attractive yield but also takes account of the current market environment. The dividend is expected to be funded partially from value realisations and from income generated by the investment properties.

OUTLOOK

While we believe that the current uncertain market and financial conditions will no doubt continue for some time, in our view the diversity of our portfolio and the expertise of our property investment adviser will assist us to continue to add value for shareholders in order to deliver very attractive returns.

Having now successfully invested the available funds well ahead of our target timetable, the immediate focus will be to realise value within our investment portfolio and to progress our development projects. The key to our continuing success rests upon utilising the property investment adviser's extensive local experience, and relationships across our markets. In addition, we will progress asset management opportunities including adding additional space to our existing properties and look to take advantage of the current environment through opportunities such as distressed sales. We are therefore confident of continuing to deliver value to our shareholders in the current financial year and beyond.

RUPERT COTTRELL
CHAIRMAN
27 APRIL 2008

DIRECTORS, OFFICERS AND ADVISERS

RUPERT COTTRELL
NON-EXECUTIVE CHAIRMAN
Rupert Cottrell is a resident of the Isle of Man and former 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 was formerly a non-executive director of the AIM listed PFI Infrastructure Company PLC, recently acquired by a subsidiary of Infrastructure Investors LP. Prior to this, Rupert was a director of Capital International Ltd, Henry Cooke Lumsden plc and Hill Samuel Private Client Management Ltd. He spent four years as a Council member of FIMBRA and is a Fellow of the Securities Institute.

PETER KLIMT
NON-EXECUTIVE DIRECTOR
Peter Klimt is the Chief Executive of Dawnay, Day International Ltd, Chairman of Dawnay, Day Property Investment Ltd, Director of Dawnay, Day Europe Ltd, 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 Ltd in 1992 and has developed the Group's property investment division. Peter is a Non-executive Director of Dawnay, Day Treveria PLC, a Non-executive Director of Dawnay, Day Sirius Real Estate Asset Management Ltd 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 AIM listed Trinity Capital PLC investing in real estate in India. He is also a non-executive director of Hansa Fund PCC Ltd, an investment fund licensed by the Guernsey Financial Services Commission, Devonshire Corporate Services Ltd, a corporate services provider licensed by the Isle of Man Financial Supervision Commission and Non-executive Chairman of Active Services (IOM) Ltd, which provides compliance support. Previously Bill was chairman of Insinger de Beaufort (International) Ltd, Isle of Man office (formerly Jardine Matheson International) and deputy chairman of merchant bank Rea Brothers (Isle of Man) Ltd. He is a Fellow of the Chartered Institute of Bankers and a Chartered Director.

PHILIP SCALES
NON-EXECUTIVE DIRECTOR AND COMPANY SECRETARY
Philip Scales is managing director of IOMA Fund and Investment Management Ltd ("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) Ltd (formerly Barings (Isle of Man) Ltd).

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

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DIRECTORS' REPORT

The Directors present herewith their report and audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS FOR THE YEAR

Profit for the year ended 31 December 2007 amounted to £14.9 million (2006: £36.0 million). The results for the year and their appropriation are set out in the Income Statement on page 11.

DIVIDEND

The Directors have declared and paid a first interim dividend of 3.33 pence per share, for the year ended 31 December 2007.

A second interim dividend, also of 3.33 pence per share, was declared in November 2007 and paid in January 2008.

The Board intends to declare, subject to shareholder approval, a final dividend for the year of 3.34 pence per share. This will result in an aggregate dividend payment of 10 pence per share for the year ending 31 December 2007, which achieves the Board's previously stated target.

DIRECTORS

The Directors who served during the year were as follows:

P R Cottrell (Non-executive Chairman)
P R Klimt (Non-executive Director)
W A Hamilton-Turner (Non-executive Director)
P P Scales (Non-executive Director)

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 2007 had the following interests in the share capital of the Company:

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

Registered holder	Number of ordinary shares held	Number of non voting contract for differences ("CFDS") held	**Total**
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	—	4,189,683	**4,189,683**
Starlight Investments	—	5,414,684	**5,414,684**
	3,514,029	12,074,105	**15,588,134**

This represents an aggregate interest of 6.8% of the issued share capital of the Company.

DIRECTORS' REPORT CONTINUED

DIRECTORS' INTERESTS CONTINUED

P R Cottrell's interests in the Company were as follows:

Registered holder	Number of ordinary shares held	Number of non voting CFDS held	**Total**
P R Cottrell	30,000	—	**30,000**

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

W A Hamilton-Turner's interests in the Company were as follows:

Registered holder	Number of ordinary shares held	Number of non voting CFDS held	**Total**
MW Pension Trustees (Isle of Man) Ltd	10,000	—	**10,000**

This represents an aggregate interest of 0.004% of the issued share capital of the Company.

By order of the Board

PHILIP SCALES
SECRETARY
27 APRIL 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Isle of Man Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies Acts 1931 to 2004.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and Group 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 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 2007 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 Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board are 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 and are properly prepared in accordance with the Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors' report is not consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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 Group's and Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view, in accordance with IFRS as issued by the International Accounting Standards Board, of the state of the Group's and individual Company's affairs as at 31 December 2007 and of the Group's and individual Company's profit for the year ended 31 December 2007. The financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS
DOUGLAS
ISLE OF MAN
27 APRIL 2008

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 STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007 Group £'000**	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Gross rental income	5	**27,051**	**—**	15,799	—
Service charge income	7	**9,635**	**—**	5,946	—
Service charge expense	7	**(10,886)**	**—**	(6,712)	—
Property operating expenses	7	**(3,401)**	**—**	(2,679)	—
Other property income		**1,895**	**—**	335	—
Net rental and related income		**24,294**	**—**	12,689	—
Changes in fair value of investment property	12	**15,983**	**—**	36,792	—
Changes in fair value of financial assets and liabilities		**1,409**	**1,246**	(1,147)	(1,147)
Net foreign exchange (loss)/gain		**(6,971)**	**(5,620)**	1,388	(2,001)
Administrative expenses	8	**(4,685)**	**(750)**	(2,140)	(464)
Net operating profit/(loss) before net financing (expense)/income		**30,030**	**(5,124)**	47,582	(3,612)
Financial income	9	**7,375**	**14,253**	6,839	8,909
Financial expense	9	**(15,528)**	**(1,019)**	(7,660)	(620)
Net financing (expense)/income		**(8,153)**	**13,234**	(821)	8,289
Net profit before tax		**21,877**	**8,110**	46,761	4,677
Tax	10	**(6,947)**	**—**	(10,739)	—
Profit for the year		**14,930**	**8,110**	36,022	4,677
Attributable to:					
Equity holders of the Company	11	**16,202**	**8,110**	30,706	4,677
Minority interest	11	**(1,272)**	**—**	5,316	—
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed as pence per share)					
Basic earnings per share	11	**8.3p**		21.1p	
Diluted earnings per share	11	**7.3p**		21.0p	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

Group	Note	Share capital £'000	Share premium £'000	Minority interest £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2006		1,454	125,556	230	(95)	14,675	141,820
Profit for the year		—	—	—	—	36,022	36,022
Minority interest		—	—	460	—	(460)	—
Dividends paid	23	—	—	—	—	(2,909)	(2,909)
Carried interest allocation to minority shareholders	27	—	—	4,856	—	(4,856)	—
Translation into presentation currency		—	—	—	(3,372)	—	(3,372)
Balance as at 31 December 2006		1,454	125,556	5,546	(3,467)	42,472	171,561
Balance as at 1 January 2007		**1,454**	**125,556**	**5,546**	**(3,467)**	**42,472**	**171,561**
Profit for the year		**—**	**—**	**—**	**—**	**14,930**	**14,930**
Dividends paid and declared	23	**—**	**—**	**—**	**—**	**(18,342)**	**(18,342)**
Purchase of minority shareholders' interest		**—**	**—**	**(688)**	**—**	**—**	**(688)**
Minority interest through acquisitions		**—**	**—**	**87**	**—**	**—**	**87**
Carried interest allocation to minority shareholders	27			**(1,272)**	**—**	**1,272**	**—**
Issue of share capital	19	**833**	**99,167**	**—**	**—**	**—**	**100,000**
Costs of issue	19	**—**	**(3,315)**	**—**	**—**	**—**	**(3,315)**
Exercise of share-based option	19	**6**	**594**	**—**	**—**	**—**	**600**
Share premium release	19	**—**	**(44,891)**	**—**	**—**	**44,891**	**—**
Translation into presentation currency		**—**	**—**	**—**	**23,127**	**—**	**23,127**
Balance as at 31 December 2007		**2,293**	**177,111**	**3,673**	**19,660**	**85,223**	**287,960**

Company	Note	Share capital £'000	Share premium £'000	Minority interest £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2006		1,454	125,556	—	—	12,631	139,641
Profit for the year		—	—	—	—	4,677	4,677
Dividends paid	23	—	—	—	—	(2,909)	(2,909)
Balance as at 31 December 2006		1,454	125,556	—	—	14,399	141,409
Balance as at 1 January 2007		**1,454**	**125,556**	**—**	**—**	**14,399**	**141,409**
Profit for the year		**—**	**—**	**—**	**—**	**8,110**	**8,110**
Dividends paid and declared	23	**—**	**—**	**—**	**—**	**(18,342)**	**(18,342)**
Issue of share capital		**833**	**99,167**	**—**	**—**	**—**	**100,000**
Costs of issue		**—**	**(3,315)**	**—**	**—**	**—**	**(3,315)**
Exercise of share-based option	19	**6**	**594**	**—**	**—**	**—**	**600**
Share premium release		**—**	**(44,891)**	**—**	**—**	**44,891**	**—**
Translation into presentation currency		**—**	**—**	**—**	**19,931**	**—**	**19,931**
Balance as at 31 December 2007		**2,293**	**177,111**	**—**	**19,931**	**49,058**	**248,393**

BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Note	**2007 Group £'000**	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Assets					
Non-current assets					
Investment in subsidiaries		**—**	**9**	—	8
Investment property	12	**523,112**	**—**	368,692	—
Development property	12	**41,428**	**—**	—	—
Loan to subsidiary	13	**—**	**202,645**	—	102,502
Goodwill	14	**25,576**	**—**	16,578	—
Intangible assets		**13**	**—**	—	—
Costs relating to future acquisitions		**291**	**—**	436	—
Other investments	27	**5,477**	**—**	—	—
Loans receivable	27	**14,846**	**—**	—	—
Deferred income tax assets	15	**1,027**	**—**	964	—
		611,770	**202,654**	386,670	102,510
Current assets					
Trade and other receivables	16	**12,776**	**15,854**	10,368	5,277
Loans receivable	27	**20**	**—**	—	—
Cash and cash equivalents	17	**62,103**	**40,387**	75,131	59,174
Financial assets	18	**4,762**	**736**	2,666	—
		79,661	**56,977**	88,165	64,451
Total assets		**691,431**	**259,631**	474,835	166,961
Equity					
Issued capital	19	**2,293**	**2,293**	1,454	1,454
Share premium	19	**177,111**	**177,111**	125,556	125,556
Retained earnings		**85,223**	**49,058**	42,472	14,399
Translation reserve/(deficit)		**19,660**	**19,931**	(3,467)	—
Total equity attributable to equity holders of the parent		**284,287**	**248,393**	166,015	141,409
Minority interest		**3,673**	**—**	5,546	—
Total equity		**287,960**	**248,393**	171,561	141,409
Liabilities					
Non-current liabilities					
Bank loans	20	**233,382**	**—**	189,535	—
Deferred income tax liabilities	15	**56,333**	**—**	35,336	—
		289,715	**—**	224,871	—
Current liabilities					
Trade and other payables	21	**27,884**	**3,068**	11,838	218
Bank loans	20	**77,055**	**—**	64,702	24,200
Provisions	22	**647**	**—**	729	—
Dividends payable	23	**7,638**	**7,638**	—	—
Financial liabilities	18	**532**	**532**	1,134	1,134
		113,756	**11,238**	78,403	25,552
Total liabilities		**403,471**	**11,238**	303,274	25,552
Total equity and liabilities		**691,431**	**259,631**	474,835	166,961

These financial statements were approved by the Board of Directors and authorised for use on 27 April 2008.

Signed on behalf of the Board of Directors by:

PATRICK RUPERT COTTRELL
NON-EXECUTIVE CHAIRMAN

WILLIAM ALLEN HAMILTON-TURNER
NON-EXECUTIVE DIRECTOR

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Group £'000	2007 Company £'000	2006 Group £'000	2006 Company £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	24	**(13,730)**	**2,100**	2,940	(439)
Income taxes paid		**(1,830)**	**—**	(797)	—
Net cash (used in)/generated from operating activities		**(15,560)**	**2,100**	2,143	(439)
Cash flows from investing activities					
Capital expenditure on investment properties		**(8,870)**	**—**	(34,486)	—
Capital expenditure on development properties		**(8,354)**	**—**	—	—
Capital expenditure on incomplete acquisitions		**(337)**	**—**	(436)	—
Capital expenditure on intangible assets		**(13)**	**—**	—	—
Loan advances to unconsolidated entities		**(14,866)**	**—**	—	—
Investment in unconsolidated entities		**(5,419)**	**—**	—	—
Interest received		**5,733**	**4,854**	4,593	3,924
Acquisition of subsidiaries	25	**(41,987)**	**—**	(70,937)	—
Acquisition of minority interest in subsidiaries		**(1,035)**	**—**	—	—
Loans advanced to subsidiaries before acquisition		**—**	**—**	(22,476)	—
Loan to subsidiary		**—**	**(87,424)**	—	(83,885)
Net cash used in investing activities		**(75,148)**	**(82,570)**	(123,742)	(79,961)
Cash flows from financing activities					
Proceeds on issue of shares, net of share issuance costs	19	**97,285**	**97,285**	—	—
New bank loans raised		**53,019**	**—**	86,045	24,200
Interest paid		**(13,796)**	**(1,020)**	(7,075)	(620)
Repayments of borrowings		**(50,219)**	**(24,200)**	—	—
Dividends paid		**(10,704)**	**(10,704)**	(7,272)	(7,272)
Net cash generated from financing activities		**75,585**	**61,361**	71,698	16,308
Net decrease in cash and cash equivalents		**(15,123)**	**(19,109)**	(49,901)	(64,092)
Cash and cash equivalents at the beginning of the year		**75,131**	**59,174**	126,145	123,466
Exchange gains/(losses) on cash and cash equivalents		**2,095**	**322**	(1,113)	(200)
Cash and cash equivalents at the end of the year	17	**62,103**	**40,387**	75,131	59,174

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007.

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 £140 million at listing and a further £100 million in May 2007 (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 note 2(l) below.

2 SIGNIFICANT ACCOUNTING POLICIES
(A) STATEMENT OF COMPLIANCE
The Group and Company financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

(B) NEW STANDARDS AND INTERPRETATIONS
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 8: Operating segments
Amendments to IAS 1: Presentation of financial statement – A revised presentation 1
Amendments to IAS 23: Borrowing costs
IFRIC 11: IFRS 2: Group and treasury share transactions
IFRIC 12: Service concession arrangements
IFRIC 13: Customer loyalty programmes
IFRIC 14: IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction

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 regarding capital and financial instruments. The relevant standards come into effect for periods commencing on or after 1 January 2008.

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

IFRS 7: Financial instruments: disclosures and the related amendment to IAS 1 on capital disclosures
IFRIC 8: Scope of IFRS 2
IFRIC 9: Reassessment of embedded derivatives
IFRIC 10: Interim financial reporting and impairment

The principal effects of these changes are as follows:

IFRS 7: FINANCIAL INSTRUMENTS: DISCLOSURES
Requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. Whilst there has been no effect on the financial position or results, comparative information has been revised where necessary.

IAS 1: PRESENTATION OF FINANCIAL STATEMENTS
Requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 18.

IFRIC 8: SCOPE OF IFRS 2
Requires IFRS 2 to be applied to any arrangements in which the Group cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As the Group only issues equity instruments as a reinvestment of profit for cash consideration, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9: REASSESSMENT OF EMBEDDED DERIVATIVES
Requires that the date to assess the existence of an embedded derivative is that on which an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group had no embedded derivatives requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10: INTERIM FINANCIAL REPORTING AND IMPAIRMENT
Requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 financial statements have been prepared in accordance with applicable Isle of Man law and the Statement of Recommended Accounting Practice issued by the Isle of Man Society of Chartered Accountants and the Association of Chartered Certified Accountants.

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

The preparation of financial statements in conformity with IFRS 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 judgements on 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

(D) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) 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 year 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 ensure uniformity with the accounting policies adopted 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 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.

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 subsidiaries in relation to all business combinations effected during the year has not been disclosed as the information is not readily available.

(F) GOODWILL

Goodwill is allocated as described in note 2(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 the Income Statement and is not subsequently reversed. Since goodwill is calculated and attributed to the purchase of property portfolios rather than individual companies, negative goodwill is not credited to the Income Statement, but offset against positive goodwill generated by the purchase of the portfolio as a whole.

(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 over 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, (note 2(G)). Initial direct costs incurred in negotiating and arranging an operating lease are 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 Group and Company is considered to be the Euro as it is the currency of the primary economic environment in which it operates. For the purpose of the financial statements, the results and financial position of the Company and Group are expressed in pounds Sterling as the Company is listed on the London Stock Exchange and its share price is quoted in 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 year, unless exchange rates fluctuate significantly during that year, 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 the Income Statement for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the year 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 note 2(M) 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 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 year, unless exchange rates fluctuate significantly during that year, 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 year 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) TAX

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 year. 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 represents tax expected to be payable or recoverable, arising 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 accounting profit nor the tax 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 is 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 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 properties are properties held for long term rental income or for capital appreciation or both. Acquisitions through direct asset purchases are initially stated at cost, including related transaction costs. Acquisitions through business combinations are stated at fair value at the date of acquisition. Additions to investment properties consist of costs of a capital nature.

After initial recognition at cost, investment properties are independently valued by professionally qualified external valuers at market value at the Balance Sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the Income Statement in the year in which they arise.

(L) DEVELOPMENT PROPERTY

Properties acquired with the intention of redevelopment are classified as development properties and stated at cost. Cost includes all costs directly associated with the purchase and construction of development properties and attributable interest. Interest is calculated by reference to specific borrowings where relevant and otherwise on the weighted average rate applicable to Group, excluding any borrowings related to specific assets. When development properties are completed, they are reclassified as investment properties.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(M) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the 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. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the carrying amount of the asset 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 which 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, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and which 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, except for borrowing costs incurred in respect of development projects which are capitalised as per note 2(L).

BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, except for borrowing costs incurred in respect of development projects which are capitalised as per note 2(C), including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement 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 year in which they arise.

TRADE PAYABLES

Trade payables are initially measured at fair value.

EQUITY INSTRUMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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. Gains or losses on the revaluation of derivatives are reported in the Income Statement.

(N) 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.

(O) 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.

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 year end. More details on goodwill are available in notes 14 and 25.

VALUATION OF INVESTMENT PROPERTY

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

In the 2006 the Group identified its primary reporting format to be geographical. For that year all companies in the Group fell in the one geographical segment, Eastern Europe and one business segment, investment properties. During the year the Group's primary reporting format changed to its business segments to reflect the Group's participation in both investment and development property. The secondary reporting format is now its geographical segments.

The Group comprises of the following business segments:

- investment properties; and
- development properties.

The Group has one geographical segment, Eastern European countries. In the prior year the Group reported that it had two reporting segments, European Union member countries and non-European Union member countries. This has changed during the year as the distinction is not considered to have a meaningful benefit on the reporting of the results. The target area for acquisitions of the Group is specified as Eastern Europe rather than distinguishing between European Union member countries and non-European Union member countries.

The Group currently holds investment property in Czech Republic, Hungary, Latvia, Lithuania, Poland and Croatia and holds investment and development property in Romania, all of which fall into the first geographical segment.

The developments do not generate income and most of the costs in the companies are being capitalised to the development property. See note 25 for the net contribution of the developments to the Group.

The split between investment and development property assets is shown in note 12. There are no other material assets in the development companies.

The total liabilities for the Group are £403,471,000. This is split between £356,065,000 attributable to the investment properties and £47,406,000 for the development properties.

5 GROSS RENTAL INCOME

	2007 Group £'000	2006 Group £'000
Gross lease payments collected/accrued	**27,051**	15,799

The Group leases out its investment property under operating leases. All operating leases are for terms of 1–15 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:

	2007 Group £'000	2006 Group £'000
Less than one year	**23,627**	21,672
Between one and five years	**64,217**	52,288
More than five years	**104,959**	55,707
	192,803	129,667

7 NET SERVICE CHARGE INCOME AND PROPERTY OPERATING EXPENSES

	2007 Vacant £'000	**2007 Rented out £'000**	**2007 Total £'000**
Net service charge income			
Service charge income	**—**	**9,635**	**9,635**
Service charge expenses	**(419)**	**(10,467)**	**(10,886)**
	(419)	**(832)**	**(1,251)**

	2006 Vacant £'000	2006 Rented out £'000	2006 Total £'000
Net service charge income			
Service charge income	—	5,946	5,946
Service charge expenses	(675)	(6,037)	(6,712)
	(675)	(91)	(766)

7 NET SERVICE CHARGE INCOME AND PROPERTY OPERATING EXPENSES CONTINUED

PROPERTY OPERATING EXPENSES

	2007 £'000	2006 £'000
Portfolio management fees	**1,468**	796
Property taxes and fees	**418**	627
Bad debts (recovered)/written off	**(83)**	414
Management agents fees	**557**	338
Leasing fees	**214**	190
Valuation fees	**215**	120
Marketing fees	**354**	99
Other property operating expenses	**258**	95
	3,401	2,679

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 year:

	2007 £'000	2006 £'000
Generated rental income	**2,342**	2,546
Did not generate rental income	**1,059**	133
	3,401	2,679

8 ADMINISTRATIVE EXPENSES

	2007 Group £'000	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Accounting fees	**567**	**—**	401	—
Other administrative expenses	**1,564**	**172**	356	34
Audit fees	**521**	**218**	323	111
Legal fees	**445**	**—**	264	—
Abortive acquisition costs	**464**	**—**	234	—
Non-executive Directors' fees	**138**	**66**	135	72
Bank charges and fees	**336**	**2**	89	4
Portfolio management fees	**156**	**149**	87	87
Tax advisory fees	**57**	**—**	85	3
Nominated adviser fees	**56**	**56**	61	61
Public relation fees	**49**	**49**	56	56
Consultancy fees	**137**	**—**	—	—
Custody/trust fees	**38**	**38**	36	36
Irrecoverable VAT	**157**	**—**	13	—
	4,685	**750**	2,140	464

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

9 NET FINANCING (EXPENSE)/INCOME

	2007 Group £'000	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Interest income from financial institutions	**5,907**	**4,854**	4,593	3,924
Interest income from subsidiary	**—**	**9,399**	—	4,985
Interest income from related party	**589**	**—**	—	—
Fair value adjustment of interest rate swaps	**879**	**—**	2,246	—
Financial income	**7,375**	**14,253**	6,839	8,909
Net interest expenses on bank borrowings	**(14,814)**	**(1,019)**	(7,597)	(620)
Finance costs amortised	**(116)**	**—**	—	—
Unwinding of unrealised direct issue costs of borrowings	**(598)**	**—**	(63)	—
Net financing (expense)/income	**(8,153)**	**13,234**	(821)	8,289

10 TAX

RECOGNISED IN THE INCOME STATEMENT

	2007 Group £'000	2006 Group £'000
Current tax expense		
Current year	**508**	1,108
Prior year	**(168)**	—
Deferred tax expense		
Origination of temporary differences	**6,607**	9,631
Total income tax expense in the Income Statement	**6,947**	10,739

The tax rate applicable to the Company in the Isle of Man is 0%. The tax charge of £339,630 (2006: £1,108,057) in respect of current year profits represents tax charges on rental income arising in other jurisdictions, that is subject to corporate income tax in those jurisdictions at rates in the range 16% to 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 2007 was based on the profit attributable to ordinary shareholders of £16,202,416 (2006: £30,705,369) and a weighted average number of ordinary shares in issue of 196,169,559 (2006: 145,430,015), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

	2007 Group £'000	2006 Group £'000
Profit for the year	**14,930**	36,022
Minority interest	**1,272**	(5,316)
Profit attributable to ordinary shareholders	**16,202**	30,706

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2007	2006
Shares in issue at 1 January	**145,430,015**	145,430,015
Effect of shares issued on 23 February 2007	**511,233**	—
Effect of shares issued on 18 May 2007	**50,228,311**	—
Weighted average number of ordinary shares	**196,169,559**	145,430,015
Basic earnings per share	**8.3p**	21.1p

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share for the year ended 31 December 2007 was based on the diluted profit attributable to ordinary shareholders of £14,460,545 (2006: £30,705,369) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2007 of 197,705,853 (2006: 146,515,868), calculated as follows:

PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (DILUTED)

	2007 Group £'000	2006 Group £'000
Profit for the year	**14,930**	36,022
Minority interest	**1,272**	(5,316)
Share options dilutive effect	**(1,741)**	—
Profit attributable to ordinary shareholders	**14,461**	30,706

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

	2007	2006
Weighted average number of ordinary shares	**196,169,559**	145,430,015
Effect of dilutive potential ordinary shares: share options	**1,536,294**	1,085,853
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**197,705,853**	146,515,868
Diluted earnings per share	**7.3p**	21.0p

12 INVESTMENT AND DEVELOPMENT PROPERTY

	Note	**2007 Invest-ment property Group £'000**	**2007 Develop-ment property Group £'000**	**2007 Total Group £'000**	2006 Invest-ment property Group £'000	2006 Develop-ment property Group £'000	2006 Total Group £'000
Balance at 1 January		**368,692**	**—**	**368,692**	87,054	—	87,054
Acquisitions through business combinations	25	**90,280**	**30,525**	**120,805**	215,530	—	215,530
Acquisitions through direct asset purchases		**7,607**	**6,814**	**14,421**	33,833	—	33,833
Additions		**1,264**	**1,540**	**2,804**	654	—	654
Increase in fair value		**15,983**	**—**	**15,983**	36,792	—	36,792
Foreign exchange effect		**39,286**	**2,549**	**41,835**	(5,171)	—	(5,171)
Balance at 31 December		**523,112**	**41,428**	**564,540**	368,692	—	368,692

The fair value of the Group's investment property at 31 December 2007 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung, independent valuers.

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

Additions to development properties include capitalised interest of £46,263.

13 LOAN TO SUBSIDIARY

The Company has lent £202,645,410 (2006: £102,501,649) to Carpathian Holdings S.à.r.l at 31 December 2007. The loan matures on 31 December 2015. The loan carries interest at 1% per annum plus 100% of Carpathian Holdings S.à.r.l adjusted accounting profits for the relevant accounting period. Interest has been accrued at 31 December 2007, and accounted for within trade and other receivables within the Company financial statements.

14 GOODWILL

	Note	**2007 Group £'000**	2006 Group £'000
Balance at 1 January		**16,578**	3,699
Additions through business combinations	25	**4,490**	14,273
Additions through merger of companies		**347**	—
Purchase price adjustments		**2,407**	(1,211)
Foreign exchange effect		**1,754**	(183)
Balance at 31 December		**25,576**	16,578

15 DEFERRED TAX ASSETS AND LIABILITIES

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

	2007 Group Assets £'000	**2007 Group Liabilities £'000**	2006 Group Assets £'000	2006 Group Liabilities £'000
Investment property valuation	**—**	**55,186**	—	34,798
Interest rate swap valuation	**—**	**516**	—	324
Accrued interest payable	**37**	**—**	55	—
Tax losses brought forward	**990**	**—**	909	—
Other temporary differences	**—**	**631**	—	214
	1,027	**56,333**	964	35,336

The movement in deferred tax in the year comprises:

	Note	**2007 Group £'000**	2006 Group £'000
Net balance at 1 January		**34,372**	4,816
Origination of temporary differences	10	**6,607**	9,631
Additions through business combinations	25	**9,757**	20,356
Foreign exchange effect		**4,570**	(431)
Net balance at 31 December		**55,306**	34,372

16 TRADE AND OTHER RECEIVABLES

	2007 Group £'000	2007 Company £'000	2006 Group £'000	2006 Company £'000
Trade receivables	**3,043**	**—**	2,569	—
Other receivables	**4,948**	**—**	6,447	—
Tax receivable	**622**	**—**	—	—
Prepayments	**1,675**	**20**	1,352	17
Accrued interest on loans	**764**	**15,834**	—	5,260
Subsidiary purchase price adjustment receivable	**1,724**	**—**	—	—
	12,776	**15,854**	10,368	5,277

As at 31 December 2007, trade receivables at a nominal value of £2,572,190 (2006: £2,479,525) were impaired and fully provided for.

Movements in the provision for impairment of receivables were as follows:

	2007 Group £'000	2007 Company £'000	2006 Group £'000	2006 Company £'000
Balance at 1 January	**2,480**	**—**	3,451	—
– amounts written off during the year	**(591)**	**—**	(1,002)	—
– amounts recovered	**(14)**	**—**	(17)	—
– increase in allowance recognised in Income Statement	**438**	**—**	122	—
– foreign exchange effect	**259**	**—**	(76)	—
Balance at 31 December	**2,572**	**—**	2,480	—

At 31 December 2007 the ageing analysis of trade receivables was as follows:

	2007 Group £'000	2007 Company £'000	2006 Group £'000	2006 Company £'000
Less than 30 days	**2,009**	**—**	1,246	—
30–60 days	**123**	**—**	825	—
60–90 days	**77**	**—**	62	—
90–120 days	**15**	**—**	33	—
Greater than 120 days	**819**	**—**	403	—
	3,043	**—**	2,569	—

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

The Group's principal financial liabilities, other than derivatives, comprise bank loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and was throughout 2007 and 2006, the Group's policy that no trading in derivatives be undertaken.

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

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which included the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed.

The Group manages its capital structure and makes adjustments to it, in light of economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ending 31 December 2007 and 31 December 2006.

INTEREST RATE AND CURRENCY RISK

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 has a policy to review its foreign currency exposure half-yearly. The review evaluates the cost/benefit ratio of introducing foreign currency hedges or options to minimise the perceived risk. The exposure exists from holding assets and liabilities denominated in currencies other than the functional currency.

18 FINANCIAL ASSETS AND LIABILITIES CONTINUED

INTEREST RATE AND CURRENCY RISK CONTINUED

Exposure to interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to the risk of changes in market interest relates primarily to the Group's long-term debt obligations with floating interest rates. The currency risk is related to a cross currency swap that hedges the long-term loans and also due to the forward exchange rate contract to purchase Euros with pounds Sterling at a fixed exchange rate. 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.

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the Balance Sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

CURRENCY RISK TABLE

The following table demonstrates the sensitivity to a reasonably possible change in currency rates, with all other variables held constant, on the Group's net profit before tax (through the impact on currency rate changes between the Euro and pounds Sterling on the Company's cash).

	Increase/ (decrease) in value of pounds Sterling (pence)	Group effect on net profit before tax £'000	Company effect on net profit before tax £'000
2007			
Increase	**10p**	**2,454**	**2,454**
Decrease	**(10p)**	**(2,820)**	**(2,820)**
2006			
Increase	10p	2,517	2,517
Decrease	(10p)	(2,880)	(2,880)

INTEREST RATE RISK TABLE

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's net profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Group effect on net profit before tax £'000	Company effect on net profit before tax £'000
2007			
Increase	**100**	**(2,483)**	**404**
Decrease	**(100)**	**2,483**	**(404)**
2006			
Increase	100	(1,791)	350
Decrease	(100)	1,791	(350)

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 £252.2 million have fixed interest payments at an average rate of 3.74% for periods up until October 2011 and have floating interest receipts at Euribor. The three month Euribor rate at 31 December 2007 was 4.68%.

The fair value of swaps entered into at 31 December 2007 is estimated at £4,026,255 (2006: £2,665,925). These amounts are based on market values of equivalent instruments at the Balance Sheet date.

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. Collateral held against trade and other receivables is tenant's deposits which is separately disclosed in note 21. 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.

LIQUIDITY RISK

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

The following table details the Company's and Group's remaining contractual maturity for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Company and/or the Group is entitled and intends to repay the liability before its maturity. The discount column represents the possible future cash flows included in the maturity analysis, such as future interest or potential payment under the financial guarantee contract that have not been included in the carrying amount of the financial liability.

18 FINANCIAL ASSETS AND LIABILITIES CONTINUED

LIQUIDITY RISK CONTINUED

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments. The table below includes a reconciliation to the carrying amount in the Balance Sheet:

Group	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Greater than five years £'000	Discount £'000	Total £'000
2007							
Interest bearing loans and borrowings	**2,369**	**4,569**	**88,027**	**249,086**	**—**	**(33,614)**	**310,437**
Other liabilities	**7,638**	**—**	**—**	**—**	**—**	**—**	**7,638**
Trade and other payables	**—**	**23,261**	**401**	**1,363**	**2,859**	**—**	**27,884**
Forward exchange contract	**—**	**532**	**—**	**—**	**—**	**—**	**532**
Other financial liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	10,007	**28,362**	**88,428**	**250,449**	**2,859**	**(33,614)**	**346,491**
2006							
Interest bearing loans and borrowings	1,390	2,519	74,342	205,405	5,338	(34,757)	254,237
Other liabilities	—	—	—	—	—	—	—
Trade and other payables	5,381	4,496	(313)	2,159	115	—	11,838
Forward exchange contract	—	—	—	—	—	—	—
Other financial liabilities	—	1,134	—	—	—	—	1,134
	6,771	8,149	74,029	207,564	5,453	(34,757)	267,209

Company	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Greater than five years £'000	Discount £'000	Total £'000
2007							
Interest bearing loans and borrowings	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other liabilities	**7,638**	**—**	**—**	**—**	**—**	**—**	**7,638**
Trade and other payables	**—**	**3,068**	**—**	**—**	**—**	**—**	**3,068**
Forward exchange contract	**—**	**532**	**—**	**—**	**—**	**—**	**532**
Other financial liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	7,638	**3,600**	**—**	**—**	**—**	**—**	**11,238**
2006							
Interest bearing loans and borrowings	106	212	25,153	—	—	(1,271)	24,200
Other liabilities	—	—	—	—	—	—	—
Trade and other payables	—	218	—	—	—	—	218
Forward exchange contract	—	—	—	—	—	—	—
Other financial liabilities	—	1,134	—	—	—	—	1,134
	106	1,564	25,153	—	—	(1,271)	25,552

19 SHARE CAPITAL AND SHARE PREMIUM

AUTHORISED

	Number of ordinary shares of 1 pence each	£'000
At 31 December 2006	200,000,000	2,000
17 May 2007 – increase of authorised share capital	**150,000,000**	**1,500**
At 31 December 2007	**350,000,000**	**3,500**

On 17 May 2007 the authorised share capital of the Company was increased to £3,500,000 by the creation of 150,000,000 ordinary shares of 1 pence each.

ISSUED

	Note	Number of shares issued and fully paid	Share capital £'000	Share premium £'000
Ordinary shares of 1 pence each				
Balance at 31 December 2006		145,430,015	1,454	125,556
23 February 2007 – share option exercised	29	**600,000**	**6**	**594**
18 May 2007 – issue for cash		**83,333,334**	**833**	**99,167**
18 May 2007 – placing cost		**—**	**—**	**(3,315)**
Transfer to distributable reserves		**—**	**—**	**(44,891)**
Balance at 31 December 2007		**229,363,349**	**2,293**	**177,111**

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

19 SHARE CAPITAL AND SHARE PREMIUM

ISSUED CONTINUED

On 18 May 2007, the Company issued 83,333,333 ordinary shares in relation to its public offering at £1.20 per share. The Company incurred costs of £3,315,000 relating to the issue of shares. These equity transaction costs were deducted from equity in accordance with IAS 32: Financial instruments disclosure and presentation.

On 17 May 2007 the Company passed a resolution at an Extraordinary General Meeting, which was subsequently approved by the Court, to cancel 20% of the Company's share premium account to create distributable reserves.

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(M).

	2007 Group £'000	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Bank loans – non-current	**233,382**	**—**	189,535	—
Bank loans – current	**77,055**	**—**	64,702	24,200
	310,437	**—**	254,237	24,200
The borrowings are repayable as follows:				
On demand or within one year	**77,055**	**—**	65,147	24,200
In the second year	**79,963**	**—**	23,507	—
In the third to fifth years inclusive	**122,593**	**—**	137,759	—
After five years	**32,205**	**—**	29,133	—
	311,816	**—**	255,546	24,200
Unrealised direct issue cost of borrowings	**(1,379)**	**—**	(1,309)	—
	310,437	**—**	254,237	24,200
Less: amount due for settlement within twelve months (shown under current liabilities)	**(77,055)**	**—**	(64,702)	(24,200)
Amount due for settlement after twelve months	**233,382**	**—**	189,535	—

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 was secured by cash. The weighted average cost of debt of the year was 5.52% (2006: 5.28%).

21 TRADE AND OTHER PAYABLES

	Note	**2007 Group £'000**	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Trade payables		**18,531**	**3,068**	5,559	185
Tenant deposits		**2,285**	**—**	1,812	—
Accrued interest		**2,425**	**—**	1,290	—
Related party payables	27	**869**	**—**	1,140	33
Tax payable		**—**	**—**	869	—
Accrued expenses		**2,833**	**—**	704	—
Income received in advance		**647**	**—**	391	—
Subsidiary purchase price adjustment payable		**294**	**—**	73	—
		27,884	**3,068**	11,838	218

At 31 December 2007 and 31 December 2006 the ageing analysis of trade payables is as follows:

	2007 Group £'000	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
On demand	**—**	**—**	4,512	86
Less than three months	**23,261**	**3,068**	5,365	132
Three to twelve months	**401**	**—**	(313)	—
One to five years	**1,363**	**—**	2,159	—
Greater than five years	**2,859**	**—**	115	—
	27,884	**3,068**	11,838	218

22 PROVISIONS

	2007 Group £'000	2006 Group £'000
Provision at 31 December	**647**	729

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 the subsidiary during the period from 2002 to 2004. This potential liability was fully provided for at 31 May 2006, the acquisition date by the Group. At 31 December 2006, the Group had provided for the full potential liability amounting to £728,840, consisting of £686,027 which was the liability at the date of acquisition and £42,813 which related to penalty charges accruing on the unpaid amount during the period from 1 June 2006 to 31 December 2006.

In accordance with the final and legally valid Court decision dated 7 June 2007, the amount of provision has been reduced to £647,128. This amount consists of the perpetual usufruct charge and penalty interests on the outstanding amount.

23 DIVIDENDS

	2007 £'000	2006 £'000
First interim dividend (declared and paid)	**4,868**	2,909
Second interim dividend (declared in 2007 and paid in 2008)	**7,638**	—
Final dividend (declared and paid during 2007)	**5,836**	—
	18,342	2,909

On 23 April 2007 the Directors declared a final dividend of 4 pence per share for the year ended 31 December 2006.

Two interim dividend payments of 3.33 pence per share were declared on 23 April 2007 and on 27 November 2007. The second interim dividend was paid on 4 January 2008.

The Board intends to declare, subject to shareholder approval, a final dividend for the year of 3.34 pence per share. This will result in an aggregate dividend payment of 10 pence per share for the year ending 31 December 2007, which achieves the Board's previously stated target. As required by IFRS this dividend is not recognised in the financial statements until appropriately authorised.

24 NOTES TO THE CASH FLOW STATEMENT

CASH (USED IN)/GENERATED FROM OPERATIONS

	Note	**2007 Group £'000**	**2007 Company £'000**	2006 Group £'000	2006 Company £'000
Profit for the year		**14,930**	**8,110**	36,022	4,677
Adjustments for:					
Increase in fair value of interest rate swaps		**(1,632)**	**—**	(2,246)	—
Increase in fair value of financial liabilities		**(656)**	**(1,246)**	1,147	1,147
Unwinding of unrealised direct issue costs of borrowings		**598**	**—**	63	—
Net other finance income		**8,433**	**(13,234)**	3,004	(8,289)
Increase in fair value of investment property	12	**(15,983)**	**—**	(36,792)	—
Costs relating to future acquisitions written off		**439**	**—**	—	—
Reversal of investment in subsidiaries		**30**	**—**	—	—
Provisions		**(82)**	**—**	—	—
Income tax expense	10	**6,947**	**—**	10,739	—
Unrealised foreign exchange loss/(gain)		**6,971**	**5,620**	(1,388)	2,001
Operating cash flows before movements in working capital		**19,995**	**(750)**	10,549	(464)
Decrease/(increase) in receivables		**760**	**—**	(3,091)	62
(Decrease)/increase in payables		**(34,485)**	**2,850**	(4,518)	(37)
Cash (used in)/generated from operations		**(13,730)**	**2,100**	2,940	(439)

25 ACQUISITION OF SUBSIDIARIES

MASTWEIGHT SARL, SC CLUJ ATRIUM CENTER SA, ATRIUM CENTER SATU MARE SRL AND BAIA MARE ATRIUM SRL

During 2007 the Group changed its investment strategy by shareholder agreement and received a mandate to use 25% of the funds raised for development projects in Eastern Europe. Subsequently the Group identified and acquired four development opportunities in Romania.

On 8 August 2007 the Group purchased 96% of the issued capital of S.C. Cluj Atrium Center S.A from a related party Sanary Romanian Holdings BV. The multi purpose development site owned by the Company was valued at £9,706,042 on 8 August 2007. The total consideration paid was £8,891,664. The consideration was settled by way of cash of £1,365,084 and the assignment of loans of £7,526,580. The initial purchase price calculation was subsequently adjusted and at 31 December 2007 the Group was owed £485,000 by Sanary Romanian Holdings BV. Please see note 27 for details of related party transactions. During the year the Group purchased an additional 3% of the shares for a consideration of £81,214.

On 25 September 2007 the Group purchased 100% of the issued capital of Mastweight Srl. The total consideration for the transaction was £1,540,738. This was settled in cash. No consideration was payable at 31 December 2007. The Company owns a multi purpose development site valued at £8,265,042 on 25 September 2007.

25 ACQUISITION OF SUBSIDIARIES CONTINUED

MASTWEIGHT SARL, SC CLUJ ATRIUM CENTER SA, ATRIUM CENTER SATU MARE SRL AND BAIA MARE ATRIUM SRL CONTINUED

On 12 October 2007 the Group purchased 100% of the issued capital of S.C. Atrium Center BM Srl. The total consideration for the transaction was £701,404. This was settled in cash. No consideration was payable at 31 December 2007. The Company owns a multi purpose development site valued at £5,589,833 on 12 October 2007.

On 15 October 2007 the Group purchased 100% of the issued capital of S.C. Atrium Center Satu Mare Srl. The total consideration for the transaction was £156,685. This was settled in cash. No consideration was payable at 31 December 2007. The Company owns a multi purpose development site valued at £6,963,788 on 15 October 2007.

TEHNIKA SOPOT D.O.O, TEHNIKA CENTAR SAMOBOR D.O.O, TEHNIKA NEKRETNIN D.O.O AND EUROVIBA SPANSKO D.O.O

On 18 December 2007 the Group acquired 100% of the issued capital of Tehnika Sopot d.o.o, Tehnika Centar Samobar d.o.o, Tehnike Nekretnin d.o.o and Euroviba Spansko d.o.o. The total purchase price for the transaction was £32,496,215. The consideration was settled in cash. No consideration was payable at 31 December 2007. Each of the four subsidiaries acquired, held investment properties collectively and independently valued at £40,625,001 as at 18 December 2007.

CHESTNUT HOLDINGS SARL, BB ETA KFT, BB GAMMA KFT, BB HUNGARIA ETA KFT, MAGNUM HUNGARIA GAMMA KFT, BB ZNAIM S.R.O, BB HRADEC KRALOVE S.R.O, CARPATHIAN ZNAIM S.R.O AND CARPATHIAN HRADEC KRALOVE S.R.O.

On 18 September 2007 the Group acquired 100% of the issued capital of Chestnut Holdings Sarl, BB Eta kft, BB Gamma kft, BB Hungaria Eta kft, Magnum Hungaria Gamma Kft, BB Znaim s.r.o, BB Hradec Kralove s.r.o, Carpathian Znaim s.r.o and Carpathian Hradec Kralove s.r.o. The initial purchase price of £7,069,790 was subsequently recalculated based on the audited net assets at acquisition at £6,437,256. At 31 December 2007 a subsidiary purchase price receivable is due from the vendor for the difference of £632,534. Chestnut Holdings Sarl, BB Eta Kft, BB Gamma kft, BB Hradec Kralove s.r.o and BB Znaim s.r.o was set up as holding companies. Each of the other four subsidiaries acquired, held investment properties collectively and independently valued at £49,656,353 as at 18 September 2007.

SUMMARY OF ACQUISITIONS IN 2007

	Mastweight Sarl £'000	SC Cluj Atrium Center SA £'000	Atrium Center Satu Mare Srl £'000	Baia Mare Atrium Srl £'000	Tehnika Sopot d.o.o £'000
Assets					
Investment property	—	—	—	—	15,041
Development property	8,265	9,706	6,964	5,590	—
Trade and other receivables	(70)	84	32	23	—
Cash and cash equivalents	123	173	14	101	1
Investment in subsidiaries	—	—	—	—	—
Costs relating to future acquisitions	2	—	—	—	—
Liabilities					
Bank loans	(3,083)	—	—	—	(2,208)
Deferred income tax	(440)	(1,404)	(70)	(152)	(2,194)
Trade and other payables	(2,625)	(1,175)	(6,927)	(4,815)	(282)
Net asset value	2,172	7,384	13	747	10,358
Minority interest	—	(84)	—	—	—
Goodwill	(631)	1,592	144	(45)	1,652
Total consideration	1,541	8,892	157	702	12,010
Satisfied by:					
Cash	1,541	1,365	157	702	11,752
Assignment of loans	—	—	—	—	42
Purchase price payable	—	7,527	—	—	216
	1,541	8,892	157	702	12,010
Net cash outflow arising on acquisition:					
Cash consideration	(1,541)	(1,365)	(157)	(702)	(11,752)
Cash and cash equivalents acquired	123	173	14	102	1
	(1,418)	(1,192)	(143)	(600)	(11,751)
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2007	(69)	5	(150)	(28)	24

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS IN 2007 CONTINUED

	Tehnika Centar Samobor d.o.o £'000	Tehnika Nekretnin d.o.o £'000	Euroviba Spansko d.o.o £'000	Chestnut Holdings Sarl £'000	BB Eta Kft £'000
Assets					
Investment property	7,661	5,167	12,757	—	—
Development property	—	—	—	—	—
Trade and other receivables	—	1	—	28	—
Cash and cash equivalents	—	—	2	20	9
Investment in subsidiaries	—	—	—	27	—
Costs relating to future acquisitions	—	—	—	—	—
Liabilities					
Bank loans	(2,476)	—	—	—	—
Deferred income tax	(363)	(686)	—	—	—
Trade and other payables	(608)	(897)	—	(70)	(9)
Net asset value	4,214	3,585	12,759	5	—
Minority interest	—	—	—	—	—
Goodwill	(289)	350	(132)	2,041	9
Total consideration	3,925	3,935	12,627	2,046	9
Satisfied by:					
Cash	3,834	3,849	12,365	2,046	9
Assignment of loans	21	15	35	—	—
Purchase price payable	70	71	227	—	—
	3,925	3,935	12,627	2,046	9
Net cash outflow arising on acquisition:					
Cash consideration	(3,834)	(3,849)	(12,365)	(2,046)	(9)
Cash and cash equivalents acquired	—	—	2	20	8
	(3,834)	(3,849)	(12,363)	(2,026)	(1)
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2007	11	9	34	(60)	5

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS IN 2007 CONTINUED

	BB Magnum Hungaria ETA Kft £'000	BB Gamma Kft £'000	Magnum Hungaria Gamma Kft £'000	BB Znaim s.r.o £'000	BB Hradec Kralove s.r.o £'000
Assets					
Investment property	11,340	—	9,460	—	—
Development property	—	—	—	—	—
Trade and other receivables	62	—	40	—	—
Cash and cash equivalents	39	8	25	5	5
Investment in subsidiaries	—	—	—	—	—
Costs relating to future acquisitions	—	—	—	—	—
Liabilities					
Bank loans	(10,737)	—	(8,920)	—	—
Deferred income tax	(995)	—	(542)	—	—
Trade and other payables	(122)	(8)	(102)	—	—
Net asset value	(413)	—	(39)	5	5
Minority interest	—	—	—	—	—
Goodwill	884	9	609	2	7
Total consideration	471	9	570	7	12
Satisfied by:					
Cash	471	9	570	7	12
Assignment of loans	—	—	—	—	—
Purchase price payable	—	—	—	—	—
	471	9	570	7	12
Net cash outflow arising on acquisition:					
Cash consideration	(471)	(9)	(570)	(7)	(12)
Cash and cash equivalents acquired	39	8	25	5	5
	(432)	(1)	(545)	(2)	(7)
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2007	61	4	(32)	(35)	(81)

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS IN 2007 CONTINUED

	Carpathian Znaim s.r.o £'000	Carpathian Hradec Kralove s.r.o £'000	Total £'000
Assets			
Investment property	7,144	21,710	90,280
Development property	—	—	30,525
Trade and other receivables	684	1,523	2,407
Cash and cash equivalents	35	88	648
Investment in subsidiaries	—	—	27
Costs relating to future acquisitions	—	—	2
Liabilities			
Bank loans	—	2	(27,422)
Deferred income tax	(695)	(2,216)	(9,757)
Trade and other payables	(5,574)	(17,675)	(40,891)
Net asset value	1,594	3,432	45,819
Minority interest	—	—	(84)
Goodwill	(423)	(1,289)	4,490
Total consideration	1,171	2,143	50,225
Satisfied by:			
Cash	1,247	2,700	42,634
Assignment of loans	—	—	114
Purchase price payable	(76)	(557)	7,477
	1,171	2,143	50,225
Net cash outflow arising on acquisition:			
Cash consideration	(1,247)	(2,700)	(42,634)
Cash and cash equivalents acquired	35	88	647
	(1,212)	(2,612)	(41,987)
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2007	28	61	(214)

During the year, the Group acquired seven special purpose vehicles ("SPVs"), to be used as holding companies and acquisition vehicles, for a total cash consideration of £40,001. Please see note 26 for details of the SPVs acquired.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2007

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS IN 2006

	Veszprém Plaza Kft £'000	Pecs 2002 Kft £'000	Sopron Plaza Kft £'000	Szom-bathely Plaza Kft £'000	Sycamore S.a.r.l. £'000
Assets					
Investment property	9,727	15,687	11,782	4,590	94,533
Financial assets	—	—	—	—	—
Trade and other receivables	143	204	237	69	3,021
Cash and cash equivalents	682	2,173	763	249	263
Loan to subsidiary	307	4,112	898	108	—
Liabilities					
Borrowings	(7,658)	(12,674)	(8,467)	(3,236)	(68,503)
Deferred income tax	(694)	(1,040)	(472)	302	(11,380)
Trade and other payables	(549)	(2,233)	(656)	(103)	(1,772)
Provisions	—	—	—	—	(697)
Internal borrowings	—	—	—	—	(19,269)
Net asset value	1,958	6,229	4,085	1,979	(3,804)
Goodwill	706	1,058	486	(296)	5,422
Total consideration	2,664	7,287	4,571	1,683	1,618
Satisfied by:					
Cash	1,957	2,827	3,192	1,307	1,618
Assignment of loans	307	4,112	898	108	—
Purchase price payable	399	350	481	266	—
	2,663	7,289	4,571	1,681	1,618
Net cash outflow arising on acquisition:					
Cash consideration	(1,957)	(2,827)	(3,192)	(1,307)	(1,618)
Cash and cash equivalents acquired	682	2,173	763	249	263
	(1,275)	(654)	(2,429)	(1,058)	(1,355)
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2006	3,337	671	1,530	(566)	12,202

25 ACQUISITION OF SUBSIDIARIES CONTINUED

SUMMARY OF ACQUISITIONS IN 2006 CONTINUED

	Zalaeg-erszeg 2002 Kft £'000	Lanobis S.R.L. and S.C.A.W.G. Macro S.R.L. £'000	HRPP Hungarian Real Property Partners Kft £'000	Silver Estate (Formerly SCD Régió Kft), A-Invest Kft, ELEF Property Kft and Market-Estate Kft £'000	Total £'000
Assets					
Investment property	1,099	13,197	11,507	53,408	215,530
Financial assets	—	—	40	—	40
Trade and other receivables	—	350	262	1,105	5,391
Cash and cash equivalents	—	98	107	76	4,411
Loan to subsidiary	—	—	—	—	5,425
Liabilities					
Borrowings	—	—	(7,908)	(263)	(108,709)
Deferred income tax	—	(1,518)	(313)	(5,241)	(20,356)
Trade and other payables	(605)	(768)	(853)	(3,023)	(10,562)
Provisions	—	—	—	—	(697)
Internal borrowings	—	—	—	—	(19,269)
Net asset value	494	11,359	2,842	46,062	71,204
Goodwill	2	1,496	94	5,305	14,273
Total consideration	496	12,855	2,936	51,367	85,477
Satisfied by:					
Cash	495	9,649	2,938	51,367	75,350
Assignment of loans	—	3,207	—	—	8,632
Purchase price payable	—	—	—	—	1,496
	495	12,856	2,938	51,367	85,478
Net cash outflow arising on acquisition:					
Cash consideration	(495)	(9,649)	(2,938)	(51,367)	(75,350)
Cash and cash equivalents acquired	—	98	107	76	4,411
	(495)	(9,551)	(2,831)	(51,291)	(70,939)
Net contribution of acquiree since date of acquisition to Group profit for year ended 31 December 2006	409	259	148	2,264	20,254

During 2006, the Group acquired 14 SPVs, to be used as holding companies and acquisition vehicles, for a total cash consideration of £117,377. Note 26 provides details of the SPVs acquired.

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%
Variada Karlovy Vary s.r.o	Czech Republic	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%
Silver Estate Kft	Hungary	100%
A-Invest Kft	Hungary	100%
ELEF Property Kft	Hungary	100%
Market-Estate Kft	Hungary	100%
Lanobis Srl	Romania	100%
S.C.A.W.G. Macro Srl	Romania	100%
Mulga UAB *	Lithuania	100%
Stringybark SIA *	Latvia	100%
Framsden Holdings Ltd	Cyprus	100%
Carpathian Dutch Holdings BV #	Netherlands	75%
Carpathian and Dutch Holdings Cooperatve #	Netherlands	75%
Mastweight Srl	Romania	77.5%
SC Cluj Atrium Center SA	Romania	75.25%
Redwood Investments Srl #	Romania	75.25%
Atrium Center Satu Mare Srl	Romania	76.25%
SC Atrium Center BM Srl	Romania	76.25%
SC Atrium Centers Deva srl (Romania) #	Romania	76.25%
SC Atrium Centers Oradea srl (Romania) #	Romania	76.25%
Chestnut Holdings S.à.r.l	Luxembourg	100%
BB Eta Kft	Hungary	100%
BB Magnum Hungaria ETA Kft	Hungary	100%
BB Gamma Kft	Hungary	100%
Magnum Hungaria GAMMA Kft	Hungary	100%
BB Znaim s.r.o	Czech Republic	100%
BB Hradec Kralove s.r.o	Czech Republic	100%
Carpathian Znaim s.r.o	Czech Republic	100%
Carpathian Hradec Kralove s.r.o.	Czech Republic	100%
Poplar Holdings BV #	Netherlands	100%
Poplar d.o.o #	Croatia	100%
Tehnika Sopot d.o.o	Croatia	100%
Tehnika Centar Samobor d.o.o	Croatia	100%
Tehnika Nekretnin d.o.o	Croatia	100%
Euroviba Spansko d.o.o	Croatia	100%

These Special Purpose Vehicles (SPVs) were acquired during the year ended 31 December 2007, for a total consideration of £40,001. The minority interest of Carpathian and Dutch Holdings Cooperative is £3,307.

* These Special Purpose Vehicles (SPVs) 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 26) companies it has an investment in, with two of the four Non-executive Directors of the Board and transactions with companies that have common management. 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 and management:

	2007 Payables £'000	2007 Expenses £'000	2006 Payables £'000	2006 Expenses £'000
Trading transactions				
Portfolio management fee charged by Dawnay, Day Europe Ltd	—	1,625	—	883
Unpaid portfolio management fee charged by Dawnay, Day Europe Ltd at 31 December	514	—	337	—
Dawnay, Day Europe Ltd acts as property adviser 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 Ltd	—	35	—	13
IOMA Fund and In vestment Management Ltd acts 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	—
Interest expense on loan from Marba Investments S.à r.l.	—	—	—	11
Loan from Antana1 Ltd at 31 December	9	—	288	—
Interest expense on loan from Antana1 Ltd	—	9	—	20
Loan from Antana2 Ltd at 31 December	9	—	288	—
Interest expense on loan from Antana2 Ltd	—	9	—	20
Loan to Sanary Romanian Holdings BV	69	—	—	—
The loans relate to acquisitions of subsidiaries, where not all loans from the vendor were fully repaid.				
Management payables				
Loan from Atrium Centers Management SRL	235	—	—	—
Loan from Michael Israeli	33	—	—	—
The loans relate to costs incurred on behalf of the Group.				
	1,395	1,521	1,140	947

	2007 Receivable £'000	2007 Income £'000	2006 Receivable £'000	2006 Income £'000
Loans receivable				
Loan to Bluebeech	6,026	—	—	—
Interest income on loan to Bluebeech	368	343	—	—
Loans to SIA Patollo	8,840	—	—	—
Interest income on the loan with SIA Patollo	265	246	—	—
Loans relate to the purchase of a 55% interest of a development. The loans are included in non-current and current assets and interest is included within in trade and other receivables.				
Loan to Sanary Romanian Holdings BV	485	—	—	—
The loan relates to subsidiary purchase price adjustments receivable from the vendor (note 25).				
Total related party receivable and income at 31 December	15,984	589	—	—

ACQUISITIONS

The acquisitions of Mastweight Sarl, SC Cluj Atrium Center SA, Atrium Center Satu Mare Sarl and Baia Mare Atrium Sarl during the year ending 31 December 2007 are all considered to be related party transactions. Each of these acquisition transactions were included in the investment pipeline details circulated to shareholders in April 2007 with the Second Placing documents.

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

Please see note 25 for details of these acquisitions.

On 2 April 2007 the Group agreed to the purchase of 55% interest in SIA Patollo, on the completion of the development of Galleria Patollo shopping centre in Riga, Latvia. Under the agreement, the Group is committed to making staged, conditional payments via debt and equity to partially fund the project. The eventual cost of the acquisition of the investment in SIA Patollo is dependent on the value of the shopping centre on completion of the development.

As at 31 December 2007, the funding committed to the project comprised of £5,477,000 paid for 17.7% of the shares in SIA Patollo and a loan of £3,628,000 to Sia Patollo bearing interest of 25% per annum.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2007

27 RELATED PARTIES CONTINUED

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 2007 the cumulative accounting results of the Group is approximately £47,296,716 (after recouping the cost of issuing shares). This would entitle Sanary Investments S.à r.l. to a carried interest of £3,583,857 (2006: £4,856,108) had all the unrealised profits crystallised in at 31 December 2007. 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.

As at 31 December 2007 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.

Bogol Management Ltd has the right to participate in the profits of certain of the Group's development properties, after certain rates of return have been achieved by the Group. As at 31 December 2007 the rates of return had not been reached and Bogol Management Ltd was not entitled to any participation.

28 CAPITAL COMMITMENTS

The Group has agreed the purchase of development land in Opole, Poland for £7.4 million. At 31 December 2007, 10% of this commitment had been paid and the remaining £6.7 million is due on 31 May 2008 or within 14 days of the date that all conditions of the purchase price agreement are fulfilled.

The Group has a entered into contracts for professional services amounting to £4.8 million.

The Group has 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 equity and to partially fund the project. The remaining conditional payments to be made at year end were £15 million and a further £7.3 million during the project period.

29 SHARE-BASED PAYMENTS

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

On 23 February 2007 Numis exercised its right to purchase 600,000 ordinary shares.

The fair value of this equity-settled share-based payment (£605,543) was credited to equity at the date of grant.

30 EVENTS AFTER THE BALANCE SHEET DATE

REFINANCING

On 14 March 2008 the Group completed the refinance of its acquisition of Tehnika Sopot d.o.o, Tehnika Centar Samobor d.o.o, Tehnika Nekretnin d.o.o and Euroviba Spansko d.o.o (see note 25) with a £29.8 million debt facility.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2008 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 30 June 2008, at 10.30 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 year ended 31 December 2007 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 Mr P Klimt who, having agreed to retire but, being eligible, offers himself for re-election, be and he is hereby reappointed as a Director of the Company.
   3. That Deloitte & Touche, Douglas, Isle of Man be and they are hereby reappointed as auditors to the Company and that the Directors be and they are hereby authorised to determine their remuneration.
   4. That a final dividend of 3.34 pence per ordinary share in respect of the financial year ended 31 December 2007 be approved.

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

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

      That in revocation of any existing general authority granted to the Directors for the purposes of article 10.1 of the Articles of Association of the Company, the Directors be generally and unconditionally authorised in accordance with article 10.1 of the Articles of Association to exercise all the powers of the Company to allot ordinary shares up to an aggregate nominal value of £764,544; 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 or, if earlier, the date 15 months after the date of passing this resolution; 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.

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

      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 4 above; provided that the authority so granted to the Directors to allot ordinary shares by such disapplication shall be limited to the allotment of ordinary shares up to an aggregate nominal value of £114,681 and shall 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; save 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.

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

      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 1 pence 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.

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

      That the investing strategy of the Company be approved.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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

   That the Articles of Association of the Company be altered by the deletion of Article 171 and the insertion of the following new Article 171:

   "171. NOTIFICATION OF INTERESTS IN SHARES

   171.1 In order to assist the Company in complying with its notification obligations set out in rule 17 of the AIM Rules, each holder of any legal or beneficial interest in shares in the Company that is a significant shareholder shall notify the Company without delay of any relevant changes to its shareholdings in the Company as if the provisions of chapter 5 of the Disclosure and Transparency Rules published by the FSA from time to time (the "DTR") in respect of significant shareholder notifications were set out in full in these Articles, and as if references therein and, without limitation, in Chapter 5 of the DTR (i) to a "person" and "shareholder" were references to a significant shareholder (ii) to "shares" were references to shares of the Company and (iii) to an "issuer" were references to the Company (and, for the avoidance of doubt, the Company shall for the purposes of chapter 5 of the DTR as applied by these Articles, be deemed to be an "issuer" and shall not qualify as a "non-UK issuer").

   171.2 Notwithstanding the provisions of the DTR:

   171.2.1 the Company will issue notification in accordance with the AIM Rules without delay of any relevant changes to any significant shareholders of which it becomes aware pursuant to Article 171.1; and

   171.2.2 the information in respect of which the Company is so required to issue notification will be notified by the Company in accordance with the AIM Rules rather than "made public" in accordance with the DTR.

   171.3 For the purposes of this article 171:

   171.3.1 "AIM Rules" means the rules for companies published from time to time by the London Stock Exchange plc governing Admission to and the operation of AIM; and

   171.3.2 each of a "significant shareholder" and "relevant changes" shall have the meanings given to those terms from time to time as set out in the AIM Rules.

   171.4 The provisions of Articles 30 to 37 shall mutatis mutandis apply to this Article 171 to the shares held by any non complying Member.

By order of the Board

P P SCALES
COMPANY SECRETARY
DATED 27 APRIL 2008

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 Ltd, IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP so as to arrive not later than 10.30 a.m. on 28 June 2008, 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 10.30 a.m. on 28 June 2008 (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 10.30 a.m. on 28 June 2008 (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 30 June 2008 at 10.30 a.m and at any adjournment thereof.

Please indicate with an "✗" 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 the accounts for the year ended 31 December 2007.		
2. To re-elect P Klimt as a Director.		
3. To reappoint Deloitte & Touche as auditors.		
4. To approve a final dividend of 3.34 pence per ordinary share for the year ended 31 December 2007.		
Special resolutions	**For**	**Against**
5. To renew powers of the Company to allot ordinary shares of £0.01 each.		
6. To renew the authority to disapply pre-emption rights.		
7. To renew the authority of the Company to make market purchases of ordinary shares in the capital of the Company.		
8. To approve the investment strategy of the Company.		
9. To alter the Articles of Association 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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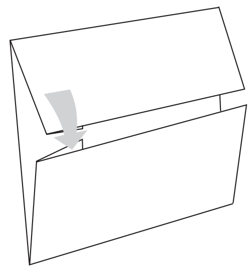

Business Reply
Licence Number
DO96

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Dawnay, Day Carpathian PLC
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ISLE OF MAN
IM86 2AF

second fold

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