GLOBE TRADE CENTRE S.A.

CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

Globe Trade Centre S.A.
Consolidated Balance Sheets
as of 31 December 2003 and 2002
(in thousand US Dollars)

	Note	31 December 2003	31 December 2002
ASSETS			
Non-Current Assets			
Property Plant and Equipment	16		
Land		16,150	26,522
Buildings		254	573
Land improvements		47	98
Equipment		173	260
Vehicles		88	109
Construction in progress		30,393	37,740
		47,105	**65,302**
Investment property	17	**373,996**	**413,294**
Investment in shares	18	**17,061**	**10,143**
Other Non-current Assets	19	**1,377**	**4,404**
Current Assets			
Inventory		16,008	21,634
Debtors		862	925
Accrued income	20	4,164	4,123
VAT and other tax recoverable		2,281	2,340
Derivatives	21	-	657
Prepayments, deferred expenses and other debtors		396	765
Short-term deposits	22	11,070	16,650
Cash and cash equivalents	23	46,529	45,139
		81,310	**92,233**
TOTAL ASSETS		**520,849**	**585,376**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	26	4,362	4,367
Share premium		33,543	33,543
Translation differences	5(t)	474	253
Capital reserve		1,231	-
Accumulated profit		229,545	226,589
		269,155	**264,752**
Minority Interest	27	**697**	**531**
Long-term Liabilities			
Long-term portion of long-term loans	25	212,953	271,805
Deposits from tenants		1,796	2,344
Provision for deferred tax liability	15	11,407	9,363
		226,156	**283,512**
Current Liabilities			
Trade and other payables		5,157	12,921
Current portion of long-term loans	25	15,569	20,436
VAT and other taxes payable		591	914
Accruals		1,079	2,028
Deferred income		122	282
Derivatives	21	2,323	-
		24,841	**36,581**
TOTAL EQUITY AND LIABILITIES		**520,849**	**585,376**

The accompanying notes are an integral part of these Consolidated Balance Sheets

Globe Trade Centre S.A.
Consolidated Income Statements
for the years ended 31 December 2003 and 2002
(in thousand US Dollars)

	Note	Year ended 31 December 2003	Year ended 31 December 2002
Revenues from operations	7	62,399	69,176
Costs of operations	8	(21,538)	(25,326)
Gross margin from operations		**40,861**	**43,850**
Selling expenses	9	(1,446)	(1,688)
Administration expenses	10	(3,402)	(3,469)
Operating profit		**36,013**	**38,693**
Foreign exchange differences gain/(loss), net		(1,062)	(1,501)
Financial income / (expense), net	11	(19,417)	(17,310)
Profit from revaluation of investment property, net of impairment of fixed asset	17	6,616	9,811
Other income/ (expense), net	12	928	-
Result on sale of investment	13	(531)	-
Profit /(Loss) on marketable securities	18	6,918	(29)
Profit before taxation		**29,465**	**29,664**
Taxation	15	(4,806)	6,227
Minority interest		(192)	140
Net Profit		**24,467**	**36,031**
Basic earnings per share (USD)	28	1.64	2.42
Diluted earnings per share (USD)	28	N/A	N/A

The accompanying notes are an integral part of these Consolidated Income Statements

Globe Trade Centre S.A.
Consolidated Statements of Changes in Equity
for the years ended 31 December 2003 and 2002
(in thousand US Dollars)

	Issued and Paid in Share Capital	Share Premium	Translation differences	Capital reserve	Accumulated Profit	Total
Balance as of 1 January 2002	4,368	33,543	-	-	190,558	228,469
Acquisition of treasury shares	(1)	-	-	-	-	(1)
Currency translation differences	-	-	253	-	-	253
Profit for the year ended 31 December 2002	-	-	-	-	36,031	36,031
Balance as of 31 December 2002	**4,367**	**33,543**	**253**	**-**	**226,589**	**264,752**
Acquisition of treasury shares	(5)	-	-	-	-	(5)
Currency translation differences	-	-	221			221
Dividend	-	-	-	-	(20,280)	(20,280)
Allocation of profit from retained earnings to Capital reserve	-	-	-	1,231	(1,231)	-
Profit for the year ended 31 December 2003	-	-	-	-	24,467	24,467
Balance as of 31 December 2003	**4,362**	**33,543**	**474**	**1,231**	**229,545**	**269,155**

Globe Trade Centre S.A.
Consolidated Statements of Cash Flows
for the years ended 31 December 2003 and 2002
(in thousand US Dollars)

	Note	Year ended 31 December 2003	Year ended 31 December 2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating profit		36,013	38,693
Adjustments for:			
Depreciation and amortization		886	1,415
Operating cash before working capital changes		**36,899**	**40,108**
Decrease in debtors and prepayments and other current assets		43	(1,349)
Decrease/(increase) in inventory		6,665	7,242
Increase in other non-current assets		(190)	(850)
Increase/(decrease) in short-term payables and accruals		1,055	(7,046)
Cash generated from operations		44,472	38,105
Interest paid		(20,273)	(22,634)
Interest received		5,049	5,047
Tax paid in the period		(3,762)	(1,288)
Net cash from operating activities		**25,486**	**19,230**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(22,532)	(25,046)
Sale of investment	13	23,307	-
Decrease/(increase) in short term deposits		5,188	(3,256)
Dividend received		168	190
Net cash from / (used) in investing activities		**6,131**	**(28,112)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares		(5)	(1)
Proceeds from the issuance of share capital to minority in subsidiary		-	-
Proceeds from long-term borrowings		7,004	34,345
Repayment of long-term borrowings		(17,623)	(13,558)
Loan origination cost		-	(13)
Payment of dividend		(20,280)	-
Deposits received from tenants		162	1,505
Net cash from / (used) financing activities		**(30,742)**	**22,278**
Effect of foreign currency translation		**515**	**711**
Net increase in cash and cash equivalents		**1,390**	**14,107**
Cash and cash equivalents, at beginning of year		**45,139**	**31,032**
Cash and cash equivalents, at end of period		**46,529**	**45,139**

The accompanying notes are an integral part of these Consolidated Statements of Cash Flows

1. Principal activities and shareholders structure

Globe Trade Centre S.A. (the "Company", "GTC") was registered in Warsaw on December 19, 1996, having previously operated under the name of Globe Trade Centre Sp. z o.o. The Company's registered office is in Warsaw at 41 Domaniewska Street. The Company owns commercial and office real estate companies in Warsaw, Poland. The Company is developing, and leasing or selling space to commercial and individual tenants, through its directly and indirectly wholly-owned subsidiaries.

Globe Trade Centre S.A. is the parent company of the capital group Globe Trade Centre (the "Group").

The Group's business activities are:
a) Development and rental of office and retail space,
b) Development and sale of residential units and apartments.

As of 31 December 2002 and 2003 the number of full time equivalent personnel working in the Group companies was 42 and 37 respectively.

GTC is admitted to public trading in Poland however it is not listed on the Warsaw Stock Exchange.

The Company is a majority-owned subsidiary of GTC International B.V. ("GTC International") of the Netherlands that controls 61.32% of the Company's shares. The minority shareholders are Beleggingsmaatschappij Adria B.V. ("Adria") (11.70%), FIC Globe B.V, an affiliate of Deutsche Bank (12.79%), IMMOEAST Beteiligungs GmbH ("IMMOEAST") (7.80%), European Bank for Reconstruction and Development ("EBRD") (5.62%), Centralny Dom Maklerski Pekao S.A. ("Pekao") (employees shares in escrow account) and employees (0.77%).

2. Events and transactions material for the year ended 31 December 2003

In March 2003, the construction of Galileo office building in Krakow was completed.

In March 2003, the construction of Globis office building in Poznan was completed.

On 23 July 2001, GTC Galeria Kazimierz, concluded a preliminary agreement with ZMK Inwestycje Sp. z o o. According to the agreement GTC Galeria Kazimierz would purchase a perpetual usufruct right to the land with the area of 5.7 hectare in Krakow. On 28 March 2003, GTC Galeria Kazimierz has purchased the perpetual usufruct right to this land. Galeria Kazimierz develops a shopping centre on this land.

2. Events and transactions material for the year ended 31 December 2003 (continued

On 30 June 2003, GTC CH Galeria signed an agreement with Rodamco Polska for the sale of a 50% interest in a company, which owns Galeria Mokotow shopping centre. The transaction was based on an asset valuation of $165 million (see note 13). As from 1 July, Rodamco Polska manages Galeria Mokotow activity (see note 29).

3. Accounting Standards in Poland

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish accounting regulations. The accompanying financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board. These adjustments and their effect on earnings for the years ended 31 December 2003 and 2002 and net assets as of 31 December 2003 and 31 December 2002 are shown in Note 32 to these financial statements.

4. Basis of presentation

The Company applied to the consolidated financial statements for the year ended on 31 December 2003 all International Financial Reporting Standards effective for accounting periods beginning on or after 1 January 2003.

Changes in presentation

As of 31 December 2003, the Company has presented land lease as part of Construction in progress. In the consolidated financial statements for the year ended 31 December 2002, land leases were presented as separate item in the balance sheet statement.

An amount of 13,792 thousand USD, which was presented as of 31 December 2002 as land leases, was reclassified to Construction in progress. The new classification better reflects the fact that land leases are integral part of the project in progress.

5. Accounting Policies

(a) Basis of accounting

The consolidated financial statements are prepared under the historical cost convention modified to include the fair value of investment property and financial instruments.

(b) Property, Plant and Equipment

Land represents freehold rights for a land parcel in Konstancin.

In accordance with IAS 40 property is divided into two categories: investment property and owner-occupied property. Investment properties are described in note 5(c). This note presents the policy of the Company in relation to owner-occupied property.

Property, plant and equipment consist of vehicles, buildings, land improvement, equipment and construction in progress. Property, plant and equipment, which have been completed (as described further below) are recorded at historical cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset.

The following depreciation rates have been applied:

	Depreciation rates
Equipment	10-20 %
Buildings	2.5 %
Land improvement	20 %
Vehicles	20 %

Assets in the course of construction are shown at cost. The direct costs paid to subcontractors for the renovation and improvement of the property are capitalised into construction in progress. Capitalised costs also include borrowing costs (see note 5(l)), planning and design costs, construction overheads and other related costs. Construction in progress is not depreciated.

(c) Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both.

The investment properties of the Company are presented based on the fair value model. The fair values were determined based on qualified independent appraisers valuation based on discounted projected cash flows from the investment properties, and updated by management estimation.

5. Accounting Policies (continued)

(d) Investment in shares

Investment in shares is carried at fair value (see note 5(p)). The fair value is estimated based on the value of shares on the Polish Stock Exchange at the balance sheet date. A recognised gain or loss arising from the change in fair value is included in net profit or loss for the period in which it arises.

(e) Land leases

The premium relating to the perpetual leaseholds of land consists of costs incurred on the acquisition of the land leases. The leases have a term of 95 or 99 years. The leases take the form of operating leases and hence the premium paid for the perpetual leaseholds of land represents a prepaid rental expense.

The annual rent payable under these leases is 3% of the assessed value of land.

Since 31 December 2003 land leases are presented as integral part of construction in progress.

(f) Lease origination costs

The costs incurred to originate a lease (mainly brokers fees) for available rental space are deferred and amortised over the term of the lease and are included within other non-current assets.

(g) Inventory

Inventory is stated at the lower of cost and net realisable value. Costs relating to the construction of a project are included as inventory as follows:

i. costs incurred relating to phases of the project not available for sale; and

ii. costs incurred relating to units unsold associated with a phase of the project that is available for sale.

Such costs include:

i. leasehold rights for land or land, construction costs paid to subcontractors for the construction of housing units; and

ii. capitalised costs, which include borrowing costs, planning and design costs, construction overheads and other related costs.

(h) Advances received

Advances received are deferred to the extent that they are not reflected as income as described below in note 5(k).

5. Accounting Policies (continued)

(i) Rental revenue

Rental revenues from leases are recognised as income over the lease term, calculated on a straight-line basis.

(j) Interest and dividend income

Interest income is recognised on an accrual basis.

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

(k) Contract revenue and costs recognition

Contract revenue in 2003 and 2002 relate to the Company's wholly owned subsidiaries Darat and GTC Konstancja with respect to the residential units' project. Both projects have been divided into four phases of development. Revenue from pre-sales of units in respect of projects which were under construction but not completed in a particular year has been recognised as revenue in such a year only to the extent of the construction and related costs (i.e. "cost of sales", as discussed below) incurred in respect of such units as at the end of the year. Therefore, income from pre-sales recognised as revenues and cost of sales relating to such pre-sales in the year will be equal. Cost of sales in respect of remaining unsold units in a phase in a particular year is capitalised as inventory within current assets. An expected loss, if any, on a sale, is recognised as an expense immediately. However, profit is recognised when a significant part of the phase has been sold and the profit can be reliably estimated.

With respect to phases which were significantly completed and the profit can be reliably estimated (as described above) in a particular year, sales revenue (i.e. either by way of advances under a pre-sale agreement in that year or a one time payment for final sale agreements) received in such a year is matched with the total cost of sales incurred to complete the units sold, less any cost of sales in respect of such phase reported in the previous year. Inventory relating to units sold in a year is expensed as cost of sales in that year.

5. Accounting Policies (continued)

(l) Borrowing costs

Borrowing costs are accrued and expensed in the period in which they are incurred except to the extent they are directly attributable to construction. In such a case, borrowing costs are capitalised as part of the cost of the asset.

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

(m) Share issuance expenses

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

(n) Income taxes

The current provision for corporate income tax for the Group companies is calculated in accordance with Polish tax regulations and is based on the profit or loss reported under Polish tax regulations.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each Group Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

5. Accounting Policies (continued)

(n) Income taxes (continued)

At each balance sheet date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The companies conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

(o) Foreign exchange differences

Transactions denominated in a foreign currency (including Polish Zloty) are recorded in US Dollars at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement.

(p) Financial instruments

All financial assets and financial liabilities are recognised on the balance sheet. All these financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given or received to acquire the financial asset or liability. All purchases of financial assets (whose delivery time is regulated in the market) are accounted at trade date.

5. Accounting Policies (continued)

(p) Financial instruments (continued)

The table below presents the measurement categorisation of financial assets and liabilities:

Category	Balance sheet item	Measurement
Financial assets		
Held for trading	Cash and cash equivalent	Fair value
Held to maturity	Short-term investments, deposits and financial assets	Amortised costs
Loans and receivables originated by the enterprise	Trade and other debtors	Amortised costs
Available-for-sale financial assets	Investment in shares	Fair value
Financial Liabilities		
Non-trading liabilities	Trade and creditors	Amortised costs
	Loans	Amortised costs
	Overdrafts	Amortised costs
Derivatives		
Held for trading	Interest Rate Swap	Fair value

The carrying value of these financial instruments in the accompanying financial statements, except for long-term loans, are short term in nature. As a result their current carrying value approximates their fair value. The carrying value of long term loans bearing variable rate approximates their fair value as the rate is linked to the market.

The fair value of loans bearing fixed interest rates is higher than the value at amortised cost presented in these financial statements by c.a. USD 20 million. Underlying financial instruments are described in note 25.

All changes in measurement of the financial instruments are reflected in income statement of the period in which they arise.

5. Accounting Policies (continued)

(q) Measurement currency

The currency of the Polish economy is the Polish Zloty. The Company has elected the US Dollar as its measurement currency in the financial statements, since the Company believes that it reflects in a more appropriate manner the Company events and transactions in the financial statements (see also note 7).

(r) Cash and cash equivalents

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

(s) Impairment of assets

The carrying value of assets is periodically reviewed by the Management to determine whether impairment may exist. Based upon its most recent analysis management believes that any material impairment of assets that existed at the balance sheet date, was reflected in these financial statements.

(t) Translation differences

The measurement currency of Globis Poznan and GTC Galeria Kazimierz, subsidiaries of GTC, is the Euro. The financial statements of those companies prepared in Euro are included in the consolidated financial statements by translation into USD using the closing rate method outlined in IAS 21. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the year. All resulting exchange differences are classified in equity as “Translation difference” without affecting earnings for the period.

(u) Estimations

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at balance date. The actual results may differ from these estimates.

(in thousand US Dollars)

6. Project description and basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and jointly controlled entity listed below together with direct ownership of these consolidated subsidiaries as at the end of each year:

	Consolidated subsidiaries and jointly controlled entity	31 December 2003	31 December 2002
1	GTC Mars Sp. z o.o. (“GTC Mars”)	100%	100%
2	GTC Galeria Sp. z o.o. ("GTC Galeria")	100%	100%
3	GTC Taurus Sp. z o.o. ("GTC Taurus")	100%	100%
4	GTC CH Galeria Sp. z o.o (GTC CH Galeria)*	100%	100%
5	Darat Sp. z o.o. (“Darat”)	100%	100%
6	GTC Konstancja Sp. z o.o. (“GTC Konstancja”)	100%	100%
7	GTC Korona S.A (GTC Korona)	100%	100%
8	Globis Poznań Sp. z o.o („Globis Poznan”)**	75%	75%
9	GTC Topaz Sp. z o.o (GTC Topaz)	100%	100%
10	GTC Vega Sp. z o.o. ("GTC Vega")	100%	100%
11	GTC Aeropark Sp. z o.o. ("GTC Aeropark”)	100%	100%
12	GTC Neptune Sp. z o.o. ("GTC Neptune")	100%	100%
13	Globis Wroclaw Sp. z o.o („Globis Wroclaw”)**	75%	75%
14	GTC Galeria Kazimierz Sp. z o.o. (formerly GTC Mercury Sp. z o.o.) (“GTC Galeria Kazimierz”)	100%	100%
15	GTC Orion Sp. z o.o. (“GTC Orion”)	100%	100%
16	GTC Saturn Sp. z o.o. (“GTC Saturn”)	100%	100%
17	GTC Galaxy-Jupiter Sp. z o.o. (“GTC Galaxy-Jupiter”)	100%	100%
18	Rodamco CH1 Sp. z o.o. (“Rodamco CH1”) ***	50%	-

* The Company wholly owns GTC CH Galeria directly and indirectly through its ownership of GTC Galeria
** The Company holds directly and indirectly 76.25% in Globis Poznań and Globis Wroclaw.
*** Proportional consolidation jointly controlled entity.

GTC Mars owns buildings and leasehold rights (“rights of perpetual usufruct”) for 7.6 hectares of land in Warsaw, known as the Mokotow Business Park. The Mokotow Business Park comprises of new and renovated office buildings for rent.

GTC Taurus owns Taurus office building, which is part of Mokotow Business Park.

On 30 May 2003, GTC CH Galeria has contributed in kind an organised part of its business, which comprise of Galeria Mokotow shopping centre and associated assets and liabilities to Rodamco CH1. As a result of contribution in kind, Rodamco CH1 owns leasehold rights for land in Warsaw. A shopping mall, known as Galeria Mokotow was developed on this land. On 30 June 2003, GTC CH Galeria signed agreement with Rodamco Polska relating to sale of 50% shares in Rodamco CH1. Based on Rodamco CH1’s statute and provisions of the shareholders agreement the entity is jointly controlled and as of 31 December 2003, the Company proportionally consolidated the assets and liabilities of Rodamco CH1 (see note 29) under provisions of IAS 31.

Darat developed a residential complex in four phases. All phases are fully completed and substantially sold .

6. Project description and basis of consolidation (continued)

GTC Konstancja owns land in Konstancin, near the southern border of Warsaw. The company is developing on this land residential units for sale and intends to develop commercial space for rent.

GTC Korona owns rights of perpetual usufruct for land in Krakow. The land is designated for office development for rent. The construction of the first building, Galileo, was completed in March 2003.

GTC has established the companies Globis Poznan and Globis Wroclaw in which the Company holds 75% of the shares, whilst Orbis S.A holds the remaining 25% of the shares. Globis Poznan developed an office building for rent in Poznan, the construction was completed in March 2003. Globis Wroclaw will be engaged in real estate development in Wroclaw.

Current projects at early stage of development include Vega building, to be developed by GTC Vega. GTC Aeropark owns rights of perpetual usufruct for land in Warsaw. The company intends to develop on this land commercial space for rent. GTC Topaz owns leasehold rights for land in Warsaw. The company intends to develop on this land office buildings.

On 23 July 2001, GTC Galeria Kazimierz, concluded a preliminary agreement with ZMK Inwestycje Sp. z o o. According to the agreement GTC Galeria Kazimierz would purchase a perpetual usufruct right to the land with the area of 5.7 hectare in Krakow. On 28 March 2003, GTC Galeria Kazimierz has purchased the perpetual usufruct right to this land. Galeria Kazimierz develops a shopping centre on this land.

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

All the subsidiaries are incorporated and have their residence in Poland. The acquisition of the subsidiaries was accounted for using the purchase method. All construction activities of the subsidiaries are located in Poland. All inter-company balances and transactions are eliminated on consolidation.

(in thousand US Dollars)

7. Revenue from operations

Revenue from operations comprises the following:

	Year ended 31 December 2003	Year ended 31 December 2002
Rental revenue	54,839	59,214
Contract revenue	7,560	9,962
	62,399	69,176

The majority of revenue from operations is incurred predominantly on the basis of amounts denominated in, directly linked to or indexed by reference to the US Dollar.

Management have elected not to fully disclose the future minimum lease payments under non-cancellable operating leases as required by IAS 17 as it pertained to confidential information that if disclosed would put the Group at a competitive disadvantage. The subsidiaries have approximately 110 open lease agreements with tenants, and joint controlled entity owning Galeria Mokotow has approximately 240 open lease agreements with tenants has as of 31 December 2003 and 2002 (including 100% of agreements of Galeria Mokotow) that would mostly expire during a period of 1-8 years.

8. Costs of operations

Cost of operations comprises the following:

	Year ended 31 December 2003	Year ended 31 December 2002
Cost of rental operations	14,599	15,340
Contract costs	6,939	9,986
	21,538	25,326

(in thousand US Dollars)

9. Selling expenses

Selling expenses comprise the following:

	Year ended 31 December 2003	Year ended 31 December 2002
Brokerage and similar fees	867	953
Advertising	416	585
Payroll and related expenses	163	150
	1,446	1,688

10. Administration expenses

Administration expenses comprise the following:

	Year ended 31 December 2003	Year ended 31 December 2002
Payroll and related expenses	1,546	1,846
Management fees, office and other expenses	924	982
Audit, legal and other advisers	617	518
Shopping centre management fee	208	-
Depreciation and amortisation	107	123
	3,402	3,469

11. Financial income /(expense), net

Financial income /(expense), net, comprise the following:

	Year ended 31 December 2003	Year ended 31 December 2002
Interest income	5,049	5,621
Interest expense	(20,833)	(22,988)
Other financial income/expense		
- amortisation of deferred financial costs	(852)	(900)
- change in fair value of derivatives	(2,979)	733
- dividend received	198	224
	(19,417)	(17,310)

(in thousand US Dollars)

12. Other income/(expense), net

Other income/(expense), net, comprises the following:

	Year ended 31 December 2003	Year ended 31 December 2002
Other income	1,222	-
Other expense	(294)	-
	928	-

Other income

In 2000, as a result of VAT control, GTC Mars has paid to the tax authorities an amount of USD 715 thousands, being input VAT, which was previously claimed by GTC Mars. GTC Mars disputed its obligation to pay this amount and appealed to the court against the tax decision. In April 2003 the Supreme Court ruled in favour of GTC Mars and obliged the VAT authorities to repay the disputed amount to GTC Mars plus the applicable interest. Consequently, in May 2003 GTC Mars received from the tax authorities an amount of PLN equivalent of USD 1,222 thousands.

Other expenses

Other expenses include stamp duty paid on inter-company loans.

(in thousand US Dollars)

13. Result on sale of investment

On 30 June 2003, GTC CH Galeria signed an agreement with Rodamco Polska for the sale of a 50% interest in Rodamco CH1.

The result on the sale of the investment was as follows:

Sale price		25,890
Carried value of investment		
Fair value of Investment property	161,930	
Lease origination costs	1,477	
Deferred debt expenses	1,364	
	164,771	
Bank loan (long and short term portion)	(116,227)	
Other assets and liabilities, net	2,332	
Total net assets	50,876	
Carried value of 50% interest		25,438
Profit resulting from the sale		452
Transaction expenses		(983)
Result on the sale of the investment		(531)

Transaction expenses include legal, stamp duties and other expenses related to the sale of 50% shares in Rodamco CH1.

Cash in flow, net on sale of the investment consists of the following:

Cash paid	25,890
50% of cash in Rodamco CH1 as of 30 June 2003	(1,600)
Transaction expenses	(983)
Cash in flow	23,307

(in thousand US Dollars)

14. Segmental analysis

The Group's business activities can be categorised into two main segments:

1. Development and rental of office space and shopping malls ("office and commercial space rental") and
2. Development and sale of houses and apartments ("housing development and sale").

All the Group's activities and assets are located in a single geographical area. Financial information about business segments is presented below:

	Office and commercial space rental		**Residential development for sale**		**Consolidated**	
	2003	2002	2003	2002	2003	2002
Revenue						
External sales	54,839	59,214	7,560	9,962	62,399	69,176
Inter-segment sales	-	-	-	-	-	-
Total revenue	54,839	59,214	7,560	9,962	62,399	69,176
Result						
Segment result	40,240	43,874	621	(24)	40,861	43,850
Unallocated corporate expenses	-	-	-	-	(4,848)	(5,157)
Operating profit	-	-	-	-	36,013	38,693
Foreign currency translation gain (loss), net	-	-	-	-	(1,062)	(1,501)
Interest income	-	-	-	-	5,049	5,621
Other interest expense and similar charges, net	-	-	-	-	(24,466)	(22,931)
Revaluation of investment property, net impairment of fixed assets	6,616	9,811	-	-	6,616	9,811
Loss on marketable securities and other	-	-	-	-	6,918	(29)
Other income	928	-	-	-	928	-
Result on sale of investment	-	-	-	-	(531)	-
Taxation	-	-	-	-	(4,806)	6,227
Minority interest	-	-	-	-	(192)	140
Net profit	-	-	-	-	24,467	36,031
Segment assets						
Allocated assets	432,730	500,089	22,454	24,302	455,184	524,390
Unallocated corporate assets	-	-	-	-	65,665	60,985
Consolidated total assets	-	-	-	-	520,849	585,376
Segment liabilities						
Allocated corporate liabilities	13,424	19,728	1,276	1,674	14,700	21,402
Unallocated corporate liabilities	-	-	-	-	236,297	298,691
Consolidated total liabilities	-	-	-	-	250,997	320,093
Other						
Capital expenditures	22,532	25,046	-	-	22,532	25,046
Depreciation of fixed asset	218	526	8	11	226	537
Non cash expenses other than depreciation	660	889	-	-	660	889

(in thousand US Dollars)

14. Segmental analysis (continued)

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, and taxes currently payable and accrued liabilities.

15. Taxation

The major components of tax expense (income) are as follows:

	Year ended 31 December 2003	Year ended 31 December 2002
Current tax expense	2,697	489
Deferred tax (credit)/expense	2,109	(6,716)
	4,806	(6,227)

The Group companies pay taxes in one jurisdiction (Poland). The Group does not constitute a tax group under Polish legislation. Therefore every company in the Group is a separate taxpayer.

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

	Year ended 31 December 2003	Year ended 31 December 2002
Accounting profit before tax	29,465	29,664
Accounting profit at the applicable tax rate of 27% (28% in 2002)	7,955	8,306
Tax effect of expenses that are not deductible in determining taxable profit	261	250
Tax effect of non-taxable income in determining taxable profit	(330)	
Difference in taxable rate from 27% to 19% and difference between current and deferred tax rate applied	(5,111)	1,038
Tax effect of foreign currency differences	2,137	199
Increase in tax base of investment property	-	(16,308)
Unrecognised deferred tax asset	(106)	288
Taxable (loss)/ profit at the applicable rate of 27% (28% in 2002)	4,806	(6,227)
Tax income/(expense)	(4,806)	6,227

(in thousand US Dollars)

15. Taxation (continued)

The tax effect of foreign currency arises since the taxable profit is based on accounts prepared in Polish Zloty.
The components of the deferred tax balance were calculated at a rate applicable when the company expects to recover or settle the carrying amount of the asset or liability:

	As of 1 January 2002	credit/(charge) to income statement (*)	As of 31 December 2002	credit/(charge) to income statement (*)	As of 31 December 2003
Deferred tax assets					
Interest	282	(265)	17	123	140
Deferred taxation on impairments of fixed asset	-	-	-	1,971	1,971
Tax loss carry forwards	3,748	(832)	2,916	(640)	2,276
Share issuance expenses	476	(120)	356	(175)	181
Investment in shares	2,113	904	3,017	(1,727)	1,290
Accruals and provisions	-	376	376	(188)	188
Other	269	(84)	185	(46)	139
Deferred tax liabilities					
Deferred taxation on revaluation	(14,403)	12,254	(2,149)	(2,489)	(4,638)
Basis differences in fixed assets	(1,772)	343	(1,429)	160	(1,269)
Depreciation	(3,536)	(5,226)	(8,762)	(9)	(8,771)
Basis differences in inventory	(991)	108	(883)	342	(541)
Accrued income	-	(486)	(486)	232	(254)
Contract margin recognised	(208)	(50)	(258)	193	(65)
Other	(185)	82	(103)	103	-
Total	**(14,207)**	**7,004**	**(7,203)**	**(2,150)**	**(9,353)**
Valuation reserve	(1,872)	(288)	(2,160)	106	(2,054)
Net deferred tax liability	**(16,079)**	**6,716**	**(9,363)**	**(2,044)**	**(11,407)**

(*) During the presented period there was no deferred tax item charged to equity

The enacted tax rates are 27% in 2003; 19% in 2004 and onwards. In previous periods deferred taxes were calculated on some items, based on the expected tax rates of 27%. After the amendment to the Polish tax law during 2003 all deferred taxes were recalculated based on tax rate of 19%.

As of 31 December 2003 a deferred tax liability has been recorded against the revaluation of investment property at a rate 19% the enacted tax rate expected to apply when this deferred tax liability was to be settled. Taking into consideration the structure of the Group, the tax base of some investment properties is the same as the accounting base and accordingly no deferred tax liability is required on the revaluation.

15. Taxation (continued)

Future benefit for the loss carry forwards and other deferred tax assets have been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

The group has contributed organised parts of its business, which comprise of certain office buildings, a shopping centre and associated assets and liabilities into certain subsidiaries. In accordance with local regulations, the contributed buildings were revalued as of the date of contribution. The revalued amounts now form the tax base for these assets in the subsidiaries.

If the Company sells all of the shares in those subsidiaries, the cost that will be deductible for tax purposes will be the net historical cost of the contributed items prior to the revaluation and in such a case the tax liability that would arise at that date is estimated at $ 41.8 million. The Company has no present intention to sell the shares of those subsidiaries.

The Group companies have deferred tax assets on losses carried forward as of 31 December 2003 available in the amount of USD 2,276 thousand which, if not utilised, expire as follows:

a. Deferred tax asset on tax loss amounting to USD 1,080 thousand may be utilised during the next 5-year period, up to a maximum of 50% (of original tax loss) in any one year.
b. Deferred tax asset on tax loss amounting to USD 300 thousand may be utilised during the next 4-year period, up to a maximum of 50% (of original tax loss) in any one year.
c. Deferred tax asset on tax loss amounting to USD 217 thousand may be utilised during the next 3-year period, up to a maximum of 50% (of original tax loss) in any one year.
d. Deferred tax asset on tax loss amounting to USD 389 thousand may be utilised during the next 2-year period, up to a maximum of 50% (of original tax loss) in any one year.
e. Deferred tax asset on tax loss amounting to USD 290 thousand may be utilised during the next year period.

15. Taxation (continued)

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system.

Tax settlements may be subject to inspections by tax authorities for a period of five years. Accordingly the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

(in thousand US Dollars)

16. Property, Plant and Equipment

The movement in property, plant and equipment for the years ended 31 December 2002 and 2003 was as follows:

	Land	Buildings	Land improvement	Equipment	Vehicles	Construction in Progress (*)	Total
Cost							
As at 1 January 2002	26,522	-	-	3,232	206	5,844	35,804
Additions and transfers	-	573	98	-	91	18,104	18,866
Disposals	-	-	-	-	(49)	-	(49)
As at 31 December 2002 as previously reported	26,522	573	98	3,232	248	23,948	54,621
Accumulated Depreciation							
As at 1 January 2002	-	-	-	2,435	154	-	2,589
Charge	-	-	-	537	34	-	571
Disposals	-	-	-	-	(49)	-	(49)
As at 31 December 2002 as previously reported	-	-	-	2,972	139	-	3,111
Net book value as at 31 December 2002 as previously reported	**26,522**	**573**	**98**	**260**	**109**	**23,948**	**51,510**
Cost							
As at 31 December 2002 as previously reported	26,522	573	98	3,232	248	23,948	54,621
Reclassification from land leases (see note 4)	-	-	-	-	-	13,792	13,792
As at 1 January 2003	26,522	573	98	3,232	248	37,740	68,413
Additions / (transfers), net	-	-	-	105	-	(7,347)	(7,242)
Impairment (see note 34)	(10,372)	-	-	-	-	-	(10,372)
Transfer to other assets	-	(312)	-	-	-	-	(312)
Disposals	-	-	(49)	-	(39)	-	(88)
As at 31 December 2003	16,150	261	49	3,337	209	30,393	50,399
Accumulated Depreciation							
As at 1 January 2003	-	-	-	2,972	139	-	3,111
Charge	-	10	3	192	21	-	226
Disposals	-	(3)	(1)	-	(39)	-	(43)
As at 31 December 2003	-	7	2	3,164	121	-	3,294
Net book value as at 31 December 2003	**16,150**	**254**	**47**	**173**	**88**	**30,393**	**47,105**

(*) As of 31 December 2003, construction in progress includes an amount of USD 22,464 thousand representing land leases in projects in various development stages (see note 4).

Borrowing costs capitalised during the course of construction include mainly interest on funds borrowed to finance construction as indicated below:

2002	1,652
2003	824

(in thousand US Dollars)

16. Property, Plant and Equipment (continued)

The average interest capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation during the years ended 31 December 2002 and 2003 are 7.5%, and 7.3% respectively.

17. Revaluation of Investment Property and impairment of fixed assets

1) The Investment Properties that are owned by the Group are office and commercial space owned by the company. The movement in investment property for the years ended 31 December 2002 and 2003 was as follows:

Fair value as of 1 January 2002	**389,925**
Additions , including:	
- capitalised subsequent expenditure	14,710
- transfers from other assets	942
Adjustment to fair value	9,811
Transfer to other assets	(2,094)
Fair value as of 31 December 2002	**413,294**
Additions , including:	
- capitalised subsequent expenditure	25,405
Adjustment to fair value	16,988
Disposals	(80,965)
Transfer to inventory	(726)
Fair value as of 31 December 2003	**373,996**

Income and costs of rental operations are presented in Notes 7 and 8. Costs of rental operations comprise direct operating expense (including repairs and maintenance) from investment properties that generated rental income during the year. There were no investment properties that did not generate rental income during the year.

2) Profit from revaluation of investment property, net Impairment of fixed asset comprises the following:

	Year ended 31 December 2003	**Year ended 31 December 2002**
Revaluation of investment property	16,988	9,811
Impairment of fixed assets	(10,372)	-
	6,616	9,811

17. Revaluation of Investment Property and impairment of fixed assets (continued)

In December 2003, the Company received additional independent valuations of investment properties and land owned by consolidated entities within the Group.

According to the valuation from December 2003, the value of investment property of the group amounted to USD 396 million, in comparison to USD 374 million in the balance sheet as of 31 December 2003. According to the Company's Management, the carrying value of the investment properties as of 31 December 2003 presented in the consolidated financial statements properly reflects its fair value.

With reference to the land value, based on the valuation, Management have written down the Konstancja commercial land value as of 31 December 2003, to the amount of USD 16,150 thousand, resulting in a write-down of USD 10,372 thousand.

18. Investment in shares

Orbis shares constitute a long-term investment. On July 26, 2000 a consortium, of which the Company is a member, purchased from the Ministry of Treasury 35.37% stake in Orbis S.A. Apart from GTC, the consortium includes Accor and FIC Globe LLC (a shareholder of the Company at the transaction date). According to the agreement GTC purchased 2,303,853 shares (5% of the Orbis share capital).The market value of an Orbis share as of 31 December 2003 is PLN 27.7 (USD 7.4) (16.9 PLN as of 31 December 2002 (4.4 USD)).

(in thousand US Dollars)

19. Other non-current assets

Included within other non-current assets are the following:

	31 December 2003	31 December 2002
Lease origination costs	1,377	2,529
Advance for fixed assets	-	1,821
Deferred utilities connection charges	-	54
	1,377	4,404

20. Accrued income

Accrued income consists of the following:

	31 December 2003	31 December 2002
Sale of residential units	2,003	2,210
Accrued rent	1,114	756
Accrued financial income	345	386
Services and other	702	771
	4,164	4,123

21. Derivatives

On 17 December 2001, the Company entered into an Interest Range Rate Swap with Capped Interest Rate Swap transaction with Deutsche Bank Polska S.A ("Deutsche Bank Polska").

According to the agreement the Company swapped fixed interest rate on the Aareal loan (GTC Mars) with a floating interest rate, based on six-month LIBOR. The transaction is effective as from 1 January 2002 and it expires on 1 July 2006.

According to IAS 39, a derivative is a financial instrument always deemed as held for trading. Therefore, the financial instrument is presented at its fair value, and changes in fair value are reflected in net profit or loss.

22. Short-term deposits

Short-term deposits can be used specifically for certain operating activities as determined by specific loan agreements.

(in thousand US Dollars)

23. Cash and cash equivalents

	31 December 2003	31 December 2002
Cash in hand	7	11
Cash in bank and deposits	46,522	45,128
	46,529	45,139

All cash and cash equivalents are available for use by the Group.

24. Short-term loans and overdrafts

On 21 October 2002, GTC Konstancja has signed a revolving credit line agreement with BRE for the amount of $5 million. This credit line replaces the revolving credit line from DB-24, which expired at the end of November 2002. The credit line from BRE is valid for 2 years. On 11 August 2003, the amount of the credit line was reduced to $ 2 million.

A part of the freehold land in GTC Konstancja has been mortgaged, in order to secure an overdraft facility. The interest rate on this facility is LIBOR + 1.5 % p.a. As of 31 December 2003 as well as 31 December 2002, there was no outstanding amount.

(in thousand US Dollars)

25. Long-term loans

Long-term loans comprise the following:

	31 December 2003	31 December 2002
Loans from Aareal Bank (MBP)	128,300	135,588
Loans from Aareal Bank (Galeria Mokotow)	57,050	118,504
Loan from BPH (Taurus)	20,890	21,736
Loan from WBK (Poznan)	9,302	4,337
Loans from BRE Bank S.A.	8,522	13,070
Loan from WBK (Korona)	8,439	4,562
Loan from Orbis S.A (Globis Poznan)	532	492
Deferred Issuance debt expenses	(4,513)	(6,048)
	228,522	292,241

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

	31 December 2003	31 December 2002
Current portion of long term loans:		
Loans from Aareal Bank (MBP)	7,700	8,000
Loans from BRE Bank S.A	4,272	5,895
Loans from Aareal Bank (Galeria Mokotow)	2,450	4,400
Loan from BPH (Taurus)	920	847
Loan from WBK (Poznan)	158	816
Loan from WBK (Korona)	125	542
Deferred Issuance debt expenses	(56)	(64)
	15,569	20,436

	31 December 2003	31 December 2002
Long term portion of long term loans:		
Loans from Aareal Bank (MBP)	120,600	127,588
Loans from Aareal Bank (Galeria Mokotow)	54,600	114,104
Loan from BPH (Taurus)	19,970	20,889
Loan from WBK (Poznan)	9,144	3,521
Loan from WBK (Korona)	8,314	4,020
Loans from BRE Bank S.A.	4,250	7,175
Loan from Orbis S.A (Globis Poznan)	532	492
Deferred Issuance debt expenses	(4,457)	(5,984)
	212,953	271,805

(in thousand US Dollars)

25. Long-term loans (continued)

The table below presents information and terms of the long term loans:

	Total available amount	Tranches	Repayments	Expiration date	Interest rate fixed/floating	Interest rate	Securities
Loans from Aareal Bank (MBP)	USD 165 million	USD 130 million	Monthly instalments	Aug-2009	Fixed	LIBOR+2.5% +SWAP (*)	(**)
		USD 25 million	Aug-09	Aug-2009	Fixed	LIBOR+2.5% +SWAP (*)	(**)
		USD 10 million	Semi annual , based on excess cash flow	Aug-2009	Floating	LIBOR+2.5%	(**)
Loans from Aareal Bank (Galeria Mokotow) (***)	USD 124.5 million	USD 90 million	Monthly installments	Mar-2016	Fixed	LIBOR+2% +SWAP (*)	(**)
		USD 10 million	Semi annual , based on excess cash flow	Mar-2016	Floating	LIBOR+2%	(**)
		USD 23 million	Monthly installments	Mar-2016	Fixed	LIBOR+2% +SWAP (*)	(**)
		USD 1.5 million	Semi annual , based on excess cash flow	Mar-2016	Floating	LIBOR+2%	(**)
Loan from BPH (Taurus)	USD 22.5 million	-	Monthly installments	Dec-2011	Fixed	LIBOR+2% +SWAP (*)	(**)
Loan from BZ WBK (Poznan)	Euro 10 million	-	48 quarterly installments starting from Nov. 2004	Nov-2016	Floating	EURIBOR+1.85%	(**)
Loan from BZ WBK (Korona)	USD 10 million	-	48 quarterly installments starting from Nov. 2004	Nov-2016	Floating	LIBOR+1.85%	(**)
Loans from BRE Bank S.A	Euro 15.6 million	-	Semi annual installments	Aug-2005	Floating	EURIBOR+1.75%	Orbis Shares
Loan from Orbis SA (Poznan)	USD 0.45 million	-	n.a	Not determined	Fixed	LIBOR+3.5% (*)	Subordinated to the BZ WBK bank loan, not secured

(*) Interest rate determined as at the drawdown date.
(**) Mortgage over the asset together with assignment of the associated receivables and insurance rights.
(***) GTC consolidates 50% of this loan as a result of its 50% ownership in Rodamco CH1 who is the borrower.

The value of the assets pledged as security is higher than the value of the related loans.

Other

The Company entered into an Interest Range Rate Swap with Capped Interest Rate Swap transaction with Deutsche Bank Polska (see note 21). According to the agreement the Company swapped fixed interest rate on the Aareal loan (GTC Mars) with a floating interest rate, based on six-month LIBOR.

The average effective interest rate on the group's loans during the year 2003 was 8.1% (8.5% in year 2002).

(in thousand US Dollars)

25. Long-term loans (continued)

The average effective interest rate on the group's loans during 2003 and 2002 including the Interest Range Rate Swap with Capped Interest Rate Swap transaction with Deutsche Bank Polska was 6.5% and 6.9%.

26. Capital and Reserves

The authorised share capital of the Company amounts to PLN 14,879,499 ($4,368,254) and consists of the following:

Shareholder	Number of shares	Share class	Nominal value in PLN	Nominal value in USD	Percentage
GTC International	9,123,216	A	9,123,216	2,746,992	61.32
FIC Globe B.V	1,903,619	A	1,903,619	527,517	12.79
Adria	1,741,072	A	1,741,072	526,304	11.70
IMMOEAST	1,160,714	A	1,160,714	350,903	7.80
EBRD	835,654	C	835,654	183,824	5.62
Pekao escrow account and Employees	115,224	B	115,224	26,660	0.77
Total shares	14,879,499		14,879,499	4,362,200	100.00

The reconciliation of the number of shares outstanding as at the beginning and at the end of the respective years is presented below:

	2003	2002
Number of shares as at the beginning of the year	14,899,999	14,905,654
Acquisition of treasury shares	(20,500)	(5,655)
Number of shares as at the end of the year	14,879,499	14,899,999

Transaction in shares

On 29 September 2003, IMMOEAST acquired 1,160,714 of the Company's shares from Bank Handlowy w Warszawie S.A. After that transaction IMMOEAST holds 7.8% of the Company's shares.

On 19 November 2003 FIC Globe LLC transferred its shares in the Company to FIC Globe B.V.

As of 31 December 2003, all shares have been issued and all subscribed capital was paid up.

26. Capital and Reserves (continued)

EBRD shares

On 11 December 2000 the Company and the European Bank for Reconstruction and Development ("EBRD") signed a subscription agreement according to which EBRD purchased 835,654 new shares for a total cash consideration in the amount of $ 15 million.

On 11 December 2000 the Company and the EBRD signed a Sale Option Agreement. According to the agreement, EBRD has the right to sell to the Company for the purpose of their redemption 835,654 shares at a sale price equal to the offering price increased by the calculated interest, among others in case the shares of the Company will not be listed on the Warsaw Stock Exchange within three years (or five years at the discretion of EBRD) from the subscription date and at least 10% (if the shares of the Company are listed in the continuous trading) or at least 13% (if the shares of the Company are listed not necessarily in the continuous trading) of GTC shares are not sold to investors other than current shareholders at a price higher than zloty equivalent of USD 17.95 per share.

On 6 February 2003, EBRD notified the Company that the date upon which a successful public offering must occur for the purposes of Sale Option Agreement is the fifth anniversary of the subscription date (i.e. 14 December 2005).

In relation to the above mentioned agreements, on 11 December 2000 the shareholders of the Company signed a Voting Agreement with the EBRD, pursuant to which they undertook to vote with all their shares in favour of any resolutions that may be necessary for the execution or performance by the Company of the Sale Option Agreement.

As of 31 December 2003 the potential accrued interest (less dividend or other shareholders distributions) amounts to $ 1.58 million.

The management of the Company have recognised this transaction fully as equity on the following basis:

(i) IAS 32 requires the issuer of a financial instrument to classify the instrument, or its component parts, as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument; and

(ii) SIC-5 indicates that the contingent settlement provision should be ignored and the instrument should be classified as equity when the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance.

26. Capital and Reserves (continued)

Treasury shares

During 2002, the company purchased 5,655 shares from a retiring employee for their nominal value of 5,655 PLN (c.a. 1 thousand USD).

During 2003, the company purchased 20,500 shares from a retiring employees for their nominal value of 20,500 PLN (c.a. 4.5 thousand USD).

During 2003, 26,155 treasury shares (c.a. 5.5 thousand USD), held by the Company, were redeemed. The redemption has not been registered yet in court.

Profit distribution

According to the Commercial Companies Code, a Company is obliged to allocate part of its profit to a special Capital reserve.
On 25 March 2003, the shareholders of the Company adopted a resolution, which allocated an amount of USD 1,231 thousand (PLN 5,000 thousand) to the Capital reserve ("Fundusz Zapasowy").

The accumulated funds in the Capital reserve cannot be distributed as dividends in the future.

On 25 March 2003, the shareholders of the Company adopted a resolution regarding the distribution of dividend from previous years profit amounting to 2.7 PLN per share. The dividend was paid on 15 July 2003.

On 17 September 2003, the shareholders of the Company adopted a resolution regarding the distribution of an interim dividend for the year 2003. According to the resolution, amount of 2.7 PLN per share shall be paid to every shareholder. The date for establishing the shareholders entitled to the dividend was 2 October 2003. The dividend was paid on 16 October 2003.

Dividends are distributed based on Polish statutory earnings.

(in thousand US Dollars)

27. Minority interest

The movement in minority interest for the years ended 31 December 2002 and 2003 was as follows:

Balance as of 1 January 2002	**587**
Translation differences	84
Minority interest in profit (loss) for the year ended 31 December 2002	(140)
Balance as of 31 December 2002	**531**
Redemption of shares	(107)
Translation differences	81
Minority interest in profit (loss) for the year ended 31 December 2003	192
Balance as of 31 December 2003	**697**

28. Earnings per share (US Dolars)

Basic and diluted earnings per share were calculated as follows:

	Year ended 31 December 2003	**Year ended 31 December 2002**
Net profit after tax	24,466,695	36,030,945
Weighted average number of shares for calculating basic earnings per share	14,887,134	14,901,115
Basic earnings per share	1.64	2.42
Weighted average number of shares for calculating diluted earnings per share (*)	n/a	n/a
Diluted earnings per share	-	-

(*) There are no instruments that may dilute the average number of shares.

(in thousand US Dollars)

29. Proportionate consolidation

On 30 June 2003, GTC CH Galeria signed an agreement with Rodamco Polska for the sale of 50% interest in Rodamco CH1, which holds Galeria Mokotow Shopping center. As from 1st July Rodamco Polska manages Galeria Mokotow activity.

As of 31 December 2003, the Company proportionally consolidated the assets and liabilities of Rodamco CH1.

The Company's interest in Rodamco CH1 as of 31 December 2003 comprises the following:

	50% interest
Cash	2,945
Blocked deposits	506
Investment property	89,500
Fixed assets	61
Non current assets	650
Current assets (other than cash and blocked deposits)	402
Long term liabilities	(56,410)
Current liabilities (inc. short term portion of long term loans)	(3,072)
Net Assets	34,582

(*) Total share in income of Rodamco CH1 for the 6 months period ended 31 December 2003 was income of USD 17.4 million, and total share in expenses was USD 8.4 million.

(in thousand US Dollars)

30. Related party transactions

Service and consultancy fees

Service and consultancy fees relate to management services provided by GTC International, Kardan Real Estate, Tamlot and AYRAD for the benefit of the Group companies.

The transactions with related parties are presented below:

	2003	**2002**
Salaries of management board and other key management personnel	629	610
Service and consultancy fees	480	480
Consultancy fees relating to sale of interest in Galeria Mokotow	200	-
Salaries of supervisory board	8	7
Other receivables (*)	209	-
Payables	36	37

(*) As of 31 December, 2003 loans granted to management board or supervisory board members amounted to USD 25 thousand. Value of other receivables form to management board or supervisory board members as of 31 December 2003 amounted to USD 136 thousand. Remaining amount in "other receivables" represents the settlements with Rodamco CH1.

31. Commitments

As of 31 December 2003, the Group had commitments contracted for in relation to future building construction, amounting to $ 60 million. These commitments are expected to be financed from current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

32. Supplementary information to the financial statements

Set out below is a reconciliation of the results of operations between Polish statutory accounting regulations (expressed in thousand Polish zloty and translated into thousand US Dollars at period average exchange rate) and International Financial Reporting Standards.

	Year ended 31 December 2003	**Year ended 31 December 2002**
	thousand PLN	thousand PLN
Profit for the year under Polish accounting regulations in thousand of Polish zloty	114,773	111,602
	thousand USD	thousand USD
Profit for the year under Polish accounting regulations translated to US Dollars at average rate for the year	29,513	27,357
Adjustments to IFRS translated to US Dollars at average rate for the year:		
Profit from sale of investment	(26,095)	-
Revaluation of investment property	16,988	9,811
Deferred tax credit to depreciation on revaluation of buildings and other deferred tax, net	300	8,199
Interest capitalised	413	(43)
Depreciation and amortisation charge	5	(237)
Contract margin recognition	274	(438)
Minority interest	(188)	-
Effect of translation differences (*)	3,257	(8,618)
Profit for the year under International Financial Reporting Standards	24,467	36,031

(*) Effect of translation differences includes the effect of profit for the period under Polish accounting principles being translated into US Dollars at the average rate and the effect of the use of a different reporting currency under IFRS.

32. Supplementary information to the financial statements (continued)

Set out below is a reconciliation of the net assets between Polish statutory accounting regulations (expressed in Polish zloty and translated into US Dollars at period end exchange rate) and International Financial Reporting Standards.

	As of 31 December 2003	**As of 31 December 2002**
	thousand PLN	thousand PLN
Net assets at the end of the year under Polish accounting regulations in thousand of Polish zloty	949,817	984,218
	thousand of USD	thousand of USD
Net assets as at the end of the year under Polish accounting regulations translated to US Dollars at rate for the year end	253,928	256,387
Adjustments to IFRS translated to US Dollars:		
Interest capitalised	7,414	7,001
Deferred tax credit to depreciation on revaluation of buildings and other deferred tax, net	3,381	3,081
Costs capitalised	821	1,652
Depreciation and amortisation charge	(396)	(401)
Contract margin recognition	(164)	(438)
Effect of translation differences (*)	4,171	(2,082)
Net assets at the end of the year under International Financial Reporting Standards	269,155	264,752

(*) Includes the effect of foreign translation differences on equity due to different reporting currency.

33. Subsequent events

On February 2, 2004, the Extraordinary Shareholders' Meeting of the Company was held. The Extraordinary Shareholders' Meeting passed resolutions regarding the share capital increase.

As part of the increase, three new series of ordinary bearer shares will be issued. The shares of the new issues will be offered: (i) to qualified investors in a public offering, (ii) to GTC International B.V. (the majority shareholder of the Company), in a private subscription, in exchange for certain in-kind contributions consisting of shares and stock of five companies conducting business operations similar to the Company's activities in the Czech Republic, Romania, Serbia and Hungary, and (iii) to a stand-by underwriter, a part of employees incentive plan.

The shareholder's meeting resolved to issue conditional share capital to be subscribed for by a related party as incentive plan.

On February 3, 2004, the Company filed with the Securities and Exchange Commission an issue prospectus with a motion to admit the newly issued shares to public trading.

On 18 February 2004 the Warsaw Stock Exchange approved admitting shares series A,B,C for listing.

34. Other

The financial statements were authorised for issue by the Management Board on 27 February 2004.