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ECM REAL ESTATE INVESTMENTS A.G.
Consolidated income statement
For the year ended 31 December 2006

The financial statements were authorised for issue by the directors on 15 March 2007.

Milan Janků, Chairman of the Board of Directors of the Company

In thousands of *Euros*, unless stated otherwise

	2006	Note	2005
Gross rental income	3,964	3.2.	2,136
Service income	4,351	3.2.	--
Service charge income	32	3.3.1.	30
Service charge expenses	(194)	3.3.1.	(76)
Property operating expenses	(1,871)	3.3.2.	(1,463)
<i>Net rental and related income</i>	6,282		627
Valuation gains on investment property	11,034	3.4.1.	32,305
Valuation losses on investment property	(2,941)	3.4.2.	(649)
<i>Net valuation gain on investment property</i>	8,093		31,656
Proceeds from the sale of investment property	16,008	3.5.	--
Carrying value of investment property sold	(16,127)	3.5.	--
<i>Loss on the disposal of investment property</i>	(119)		--
Proceeds from the sale of trading property – inventory and related accounts	2,424	3.6.	7,140
Carrying value of trading property - inventory and related accounts sold	(2,162)	3.6.	(6,076)
<i>Profit on the disposal of trading property</i>	262		1,064
Administrative expenses	(8,122)	3.7.	(3,092)
Other income	4,623	3.8.	829
Other expenses	(1,645)	3.9.	(690)
<i>Net other income</i>	2,978		139
<i>Net operating profit before net financial income/expense</i>	9,374		30,394
Financial income	20,476	3.10.	665
Financial expenses	(5,383)	3.10	(3,116)
<i>Net financial income / expense</i>	15,093		(2,451)
Share of the profit of associates and joint venture	373		41
<i>Profit before tax</i>	24,840		27,984
Current tax expense	(1,769)	3.11.1.	(6)
Deferred tax expense	(4,116)	3.11.1.	(7,268)
<i>Income tax expense</i>	(5,885)	3.11.1.	(7,274)
<i>Profit for the period</i>	18,955		20,710
Attributable to:			
Equity holders of the parent company	18,755		20,598
Minority interest	200		112
<i>Profit for the period</i>	18,955		20,710

ECM REAL ESTATE INVESTMENTS A.G.
Consolidated income statement
For the year ended 31 December 2006

Earnings per share			
Basic earnings per share (<i>euros</i>)	7.3	3.21.4.	
Diluted earnings per share (<i>euros</i>)	5.7	3.21.4.	

Consolidated balance sheet

As at 31 December 2006

In thousands of Euros

	31.12.2006	Note	31.12.2005
Investment property	200,937	3.12.	65,000
Property plant and equipment	14,835	3.13.	14,411
Intangible fixed assets	634	3.14.	542
Goodwill	660	3.14.	--
Investments in associates and joint venture	2,909	3.15.	2,299
Advance payments for shares	333		333
Provided loans	1,328	3.16.	562
Available-for-sale financial assets	--		50
Long term receivables	2	3.17.	--
Deferred tax assets	6,769	3.11.4.	4,529
Total non-current assets	228,407		87,726
Trading property	47,588	3.18.	33,056
Income tax receivable	17	3.11.3.	18
Trade and other receivables	19,182	3.19.	8,729
Cash and cash equivalents	37,901	3.20.	2,927
Total current assets	104,688		44,730
TOTAL ASSETS	333,095		132,456

	31.12.2006	Note	31.12.2005
EQUITY			
Issued capital	6,350	3.21.1.	4,500
Share premium	53,260	3.21.1.	--
Reserves	161		21
Equity instruments	1,656		--
Retained earnings	49,821		38,585
Translation reserve	6,436	3.21.2.	3,042
Total equity attributable to equity holders of the parent company	117,684		46,148
Minority interest	--		1,275
Total equity	117,684		47,423
LIABILITIES			
Interest-bearing loans and borrowings	110,461	3.22.	53,167
Convertible bonds	24,027	3.23.	--
Finance lease liabilities	14,469	3.26.	12,024
Deferred tax liabilities	24,934	3.11.4.	8,732
Total non-current liabilities	173,891		73,923
Trade and other payables	24,721	3.25.	10,899
Bank overdraft	229		--
Interest-bearing loans and borrowings	15,451	3.22.	--
Provisions	1,119	3.24.	211
Total current liabilities	41,520		11,110
Total liabilities	215,411		85,033
TOTAL EQUITY AND LIABILITIES	333,095		132,456

Consolidated statement of changes in equity

For the year ended 31 December 2006

In thousands of *Euros*

	Share capital	Share premium	Translation reserve	Legal reserve fund	Equity Instrument	Retained earnings	Total attributable to equity holders of the parent company	Minority interest	Total equity
Balance at 1 January 2005	1,500	--	1,089	6	--	19,925	22,520	1,589	24,109
Total recognised income and expense	--	--	1,953	--	--	20,598	22,551	112	22,663
Increased share capital	3,000	--	--	--	--	(3,000)	--	--	--
Addition to the legal reserve fund	--	--	--	15	--	(15)	--	--	--
Newly acquired companies	--	--	--	--	--	(10)	(10)	--	(10)
Disposed companies	--	--	--	--	--	141	141	(49)	92
Other changes in equity	--	--	--	--	--	946	946	(377)	569
Balance at 31 December 2005	4,500	--	3,042	21	--	38,585	46,148	1,275	47,423
Balance at 1 January 2006	4,500	--	3,042	21	--	38,585	46,148	1,275	47,423
Total recognised income and expense	--	--	3,394	--	--	18,755	22,149	200	22,349
Increased share capital	600	--	--	--	--	(600)	0	--	0
Own shares acquired	(918)	--	--	--	--	(6,056)	(6,974)	--	(6,974)
Own shares issued	2,168	53,260	--	--	--	--	55,428	--	55,428
Addition to the legal reserve fund	--	--	--	140	--	(140)	--	--	--
Newly acquired companies and common control transactions	--	--	--	--	--	(723)	(723)	(1,482)	(2,205)
Disposed companies	--	--	--	--	--	--	--	7	7
Other changes in equity	--	--	--	--	1,656	--	1,656	--	1,656
Balance at 31 December 2006	6,350	53,260	6,436	161	1,656	49,821	117,684	--	117,684
Note	<i>3.21.1.</i>	<i>3.21.1.</i>	<i>3.21.2.</i>		<i>3.23.</i>			<i>3.21.3.</i>	

Consolidated cash flow statement

For the year ended 31 December 2006

In thousands of *Euros*

	2006	2005
<i>Cash flows from operating activities</i>		
Profit for the period before tax	24,840	27,984
<i>Adjustments for:</i>		
Depreciation	649	720
Amortisation	40	63
(Reversal of) impairment losses	--	--
Foreign exchange losses	(8,042)	(3,339)
Change in the value of investment property	(8,093)	(31,057)
Investment income	--	--
Interest expense	3,191	3,606
Share of profit of associates	--	--
Gain on the sale of trading property - inventory	(262)	(1,064)
Loss from the sale of investment property	119	--
Gain / loss on the sale of property, plant and equipment	35	156
Other	13	561
<i>Operating profit before changes in working capital and provisions</i>	12,490	(2,370)
Increase in trade and other receivables	(2,773)	(407)
Increase in trading property - inventory	(10,046)	(2,349)
Decrease in trade and other payables	9,159	3,728
Increase in provisions and employee benefits	899	24
<i>Cash generated from the operations</i>	9,729	(1,374)
Interest paid	(2,131)	(3,670)
Interest received	125	64
Income taxes paid	(366)	(14)
Gain on the sale of discontinued operations, net of tax	--	--
<i>Net cash from operating activities</i>	7,357	(4,994)
<i>Cash flows from investing activities</i>		
Proceeds from the sale of plant and equipment	29	--
Proceeds from the sale of investments/ trading property - inventory	2,495	3,500
Interest received	--	--
Dividends received	--	--
Proceeds from disposal of subsidiary, net of cash disposed	(1,486)	--
Acquisition of subsidiary, net of cash acquired	(36,456)	--
Acquisition of property, plant and equipment	(7,042)	(3,790)
Acquisition of investment property	(17,042)	(7,365)
Acquisition of other investments	842	2,078
Development expenditure	--	--
<i>Net cash from investing activities</i>	(58,660)	(5,577)

Consolidated cash flow statement

For the year ended 31 December 2006

In thousands of *Euros*

	2006	2005
<i>Cash flows from financing activities</i>		
Proceeds from the issue of share capital	54,008	--
Proceeds from the issue of convertible notes	24,498	--
Proceeds from the issue of redeemable preference shares	--	--
Repurchase of own shares	(2,325)	--
Other changes in equity	(923)	--
Repayment of borrowings	9,107	13,668
Payment of finance lease liabilities	1,912	(1,399)
Payment of transaction costs	--	--
Dividends paid	--	--
<i>Net cash from financing activities</i>	86,277	12,269
<i>Net increase in cash and cash equivalents</i>	34,974	1,698
Cash and cash equivalents at 1 January	2,927	1,229
Effect of exchange rate fluctuations on cash held	--	--
<i>Cash and cash equivalents at 31 December</i>	37,901	2,927

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Notes to the consolidated financial statements

For the year ended 31 December 2006

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1. GENERAL INFORMATION

Business firm:

ECM REAL ESTATE INVESTMENTS A.G. (hereinafter “the Company” or “ECM”)

Registered office:

5 Boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

Registration number:

B.113.308

The Company was incorporated on 1 July 1998 for an unlimited period of time.

The consolidated financial statements of the Company as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and jointly controlled entities.

Principal Activities

The Group’s basic objective is to conduct business through specific development projects. The shareholders and employees of the Group are aware of their responsibility to the public and make every reasonable effort to adopt measures that respect the environment and to apply the principles of sustainable development. The Group focuses on both residential and administrative premises as well as technological parks. This begins with a thorough consideration of the plan through to the final provision of the furnishings for the property to meet the requirements of the tenant or buyer. The Group exercises prudence throughout the project to ensure optimum use of the invested funds. Respect for local communities’ interests and an assessment of the impact of every project on the surrounding area and environment are among the Group’s priorities. Communication with public administration authorities and the general public throughout the project implementation life-cycle is also carefully considered.

When selecting building contractors, the Group prefers to work with companies that possess the ISO 9001 and ISO 14001 certificates, which guarantee high quality, environmental protection and compliance with the principles of sustainable development.

The Group’s principal activities include:

- Real estate investment
- Real estate development

Real estate investment focuses on:

- Office spaces
- Retail real estate
- Hotels

Real estate development focuses on:

- Office spaces
- Residential portfolio
- Retail real estate
- Hotels

Notes to the consolidated financial statements

For the year ended 31 December 2006

Major shareholders

The Company currently has number of shareholders with ECM Group N.V. owning the controlling share. There are no controlling agreements or any other arrangements in place which would enable other persons to control the Company by acting in agreement or otherwise.

The owners of the Company are as follows:

Year 2006

Shareholder	Number of shares	Share in registered capital	Share in voting rights
ECM Group N. V. Amsterdam Holand	2 145	57%	57%
Other retail and institutional investors	1 590	43%	43%
Celkem	3 735	100%	100%

Year 2005

Shareholder	Number of shares	Share in registered capital	Share in voting rights
Milan Janku Nad Strakovkou 6 CZ - 160 00 Prague 6	14 760	82%	82%
Glandor Foundation Meierhofstrasse 5 P.O. Box 1617 FL – 9490 Vaduz	3 240	18%	18%
Total	18 000	100%	100%

Description of ownership structure

The Company controls, directly or indirectly, a number of other companies in the Czech Republic, Luxembourg, Cyprus, Russia and China.

List of directors

Milan Janků, Chairman of the Board of Directors of the Company
 Jana Žejdlíková, Member of the Board of Directors of the Company
 Tomáš Laštovka, Member of the Board of Directors of the Company
 Patrik Šimek, Member of the Board of Directors of the Company
 Tomáš Vlček, Member of the Board of Directors of the Company

Notes to the consolidated financial statementsFor the year ended 31 December 2006

Employees Review

	2006	2005
Czech Republic	174	63

All of the above-mentioned employees were engaged in the core business activities of the Group, in real estate trading, leasing and administration, or were in charge of related activities for the Group, or its subsidiaries – keeping accounts, selling, supporting activities and services. The employment contracts are signed with ECM REAL ESTATE INVESTMENTS A.G., ECM Real Estate Investment, k.s., ECM Facility a.s., MV Centrum a.s. and ECM Finance a.s.

Trend Information

The Group's strategy is to continue its expansion in Central and Eastern European countries and in Russia. Its Russian regional office in Moscow is intensively screening investment opportunities in Moscow and other cities in Russia.

Business Risk

The Group does not enter into speculative transactions of any kind. The Group selects target market segments with the aim of utilising market opportunities under management supervision and focusing on delivering quality products in response to the market need. As at today's date, the activities of the Group are focused mainly on one geographical market, i.e. the Czech Republic. They consist of several business lines (offices, retail, residential buildings, and hotels) and are located in various regions of the country with a different level of saturation compared with the Group's original market in the capital of Prague. The different business lines and the different locations, carefully selected for development activities, are subject to different cycles and growth potential which create a natural offsetting of portfolio risk.

The relations between the Group and their suppliers (purchased external services, architects, control authorities, constructors) are regulated by standard contracts. Formal selection procedures/tenders are always carried out. On principle, the Group companies do not provide its suppliers with exclusivity. The development team organises activities systematically and in accordance with given rules and implied corporate culture. This further eliminates the natural market risk given by the existing competition among the leading developers.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB) as adopted by the European Union.

(b) Basis of preparation

The financial statements are presented in euros, rounded to the nearest thousand. They are prepared on a historical cost basis, with the exception of investment property which is stated at fair value.

The accounting policies have been consistently applied to the results, other gains and losses, assets and liabilities and cash flows of the entities included in the consolidated financial statements and are consistent with those used in the previous year.

The preparation of financial statements in compliance with IFRS requires management 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 for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The date of transition to IFRS was 1 January 2003.

The accounting policies have been applied consistently by the Group entities.

All figures are in thousands of Euros (EUR), unless stated otherwise.

(c) Basis of consolidation

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

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent company.

Notes to the consolidated financial statements

For the year ended 31 December 2006

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses on an equity accounted basis from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the consolidated financial statements

For the year ended 31 December 2006

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). Lease payments are accounted for as described in accounting policy (m).

Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis.

(iii) Subsequent costs

The Group recognises in the carrying amount the cost of replacing part of an item of property, plant and equipment at the time that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as expenses at the time they are incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Tangible fixed assets costing less than TEUR 1 are charged to the income statement in the year that they are acquired. Land is not depreciated.

The costs of improving fixed assets increase their acquisition cost. Repairs and maintenance costs are charged directly to the income statement.

The estimated useful lives are as follows:

Assets	2006	2005
Temporary structures – construction site	2 years	2 years
Machinery and equipment	4-6 years	4-6 years
Motor vehicles	4 years	4 years
Buildings	30 years	30 years

The residual value, if not insignificant, is reassessed annually.

(e) Intangible assets**(i) Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising upon the acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to 1 January 2003, goodwill is included on the basis of the comparison of the cost of initial investment with the net assets (or net liabilities) under IFRS of the investee at the date of transition. The classification and accounting treatment of business combinations that occurred prior to 1 January 2003 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2003.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is no longer amortised but is tested annually for impairment (see accounting policy (i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on acquisition is recognised directly in profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2006

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)). Amortisation is recognised in the income statement line 'Administrative expenses'.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Assets	2006	2005
Other intangible fixed assets	30 years	30 years
Software	4 years	4 years

(f) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The investment property of the Group includes primarily land held for undetermined future use. Investment properties are stated at fair value. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio at the year end of 2006 and 2005 respectively. The results of independent valuations were further analysed by the Group and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions and current market conditions. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

When the Group begins to develop an existing investment property for future sale, the property is reclassified to trading property - inventory. The fair value of such property is deemed to be the property's cost for subsequent accounting under IAS 2. The development is deemed by the Group to commence at the moment the permission for construction is obtained from the state authorities, or when the agreement on the sale of the shares of the company that owns the property is signed.

A property interest held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. The initial cost of a property held under an operating lease and classified as an investment property is recognised as prescribed for a property held under a finance lease, i.e., the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy (m).

(g) Financial instruments**(i) Provided loans**

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

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The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

(ii) Other and trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The Company classifies as a current portion any part of long-term loans that is due within one year from the balance sheet date.

As at the date of the preparation of the financial statements, the nominal value of loans is increased by unpaid interest.

Interest and other financial expenses relating to the acquisition of fixed assets incurred until the asset is put in use are capitalised. Subsequently, they are recorded as financial expenses.

(v) Trade and other payables

Trade and other payables are stated at their nominal value.

(vi) Derivative financial instruments

A derivative is a financial instrument or other contract which fulfils the following conditions:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract

(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(c) it is settled at a future date.

Hedging derivatives are defined as derivatives that comply with the company's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, at inception and throughout the period, changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 percent to 125 percent.

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss of the period in which they arise.

Notes to the consolidated financial statements

For the year ended 31 December 2006

Fair values are obtained from quoted market prices or discounted cash-flow models, as appropriate. All non-hedge derivatives are carried as current assets when their fair value is positive and as current liabilities when their fair value is negative.

(vii) Available-for-sale financial assets

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

Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Available-for-sale financial assets which are investments in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable are carried at cost.

(viii) Compound financial instruments

Compound financial instruments issued by the Group comprise bonds with attached warrants that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument (bond) is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortised cost using the effective interest method, unless it is designated at fair value through profit or loss. The equity component of compound financial instruments is not re-measured subsequent to initial recognition.

(h) Trading property - inventory

Trading property - inventory is shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Impairment

The carrying amounts of the Group's assets, other than investment property (see accounting policy (f)), trading properties - inventories (see accounting policy (h)) and deferred tax assets (see accounting policy (n)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses of receivables are determined based on an analysis of the credit status of customers and the period for which the receivable has been overdue.

(j) Share capital and share premium

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than upon a business combination, are shown as a deduction from the proceeds, net of tax, in equity. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Guaranties provided

In the normal course of business, the Group entities may enter into credit related commitments which are recorded in off balance sheet accounts. These commitments primarily include guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Group refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

(m) Revenue

(i) Services rendered

Revenue from services rendered is recognised in the income statement when the transaction under the service agreement has been completed. This usually involves completion of the development work.

(ii) Rental income

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iii) Sale of trading property - inventory

Revenue from the sale of trading property - inventory is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(n) Expenses

(i) Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

(iii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining capital balance. Contingent rents are charged as expenses in the periods in which they are incurred.

(iv) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method net of interest capitalised, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the consolidated financial statements

For the year ended 31 December 2006

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic area (geographic segment) and which is subject to risks and rewards that are different from those of other segments. The business activity of the Group is considered to be one segment.

(q) Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applied the book value method of valuation to all common control transactions.

(r) Functional and presentation currency

Apart from ECM REAL ESTATE INVESTMENT A.G., ECM Russia o.o.o, Ryazan Investors Company Ltd. and Ryazan Shopping Mall Ltd., all companies in the Group operate in the Czech Republic which is their primary economic area. Consequently, the Czech crown (CZK) is the functional currency of these entities. ECM REAL ESTATE INVESTMENTS A.G., Czech Real Estate Regions S.a.r.l. and ECM REGIONS CZ S. a r. l. operate in Luxembourg and their functional currency is EUR. ECM Real Estate Consulting (Beijing) Co. Ltd. operates in China and its functional currency is also EUR.

ECM Russia o.o.o. operates in Russia, Ryazan Investors Company Ltd. and Ryazan Shopping Mall Ltd. operate in Cyprus and their functional currency is EUR.

The Group presentation currency is the euros (EUR). The Group has selected a different presentation currency because the users of its financial statements base their economic decisions on information expressed in EUR.

The assets and liabilities are translated into EUR at foreign exchange rates ruling at the balance sheet date. The revenues and expenses are translated into EUR at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Cash flows are translated into EUR at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

The following exchange rates of CZK to EUR were used during translation:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for 12 months period
31 December 2006	27.495	28.343
31 December 2005	29.005	29.780
1 January 2005	30.465	N/A

Notes to the consolidated financial statements

For the year ended 31 December 2006

(s) Impact of Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2006

The following amended standards were applied in 2006:

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' (effective 1 January 2006)
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' in respect of cash flow hedge accounting (effective 1 January 2006)
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' for financial guarantee contracts (effective 1 January 2006)

At the date of authorisation of these financial statements, the following standards were in issue and endorsed by the EU but not yet effective:

- IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2007); and
- Amendments to IAS 1 'Presentation of Financial Statements' on capital disclosures (effective 1 January 2007).

The adoption of these standards in the future periods is not expected to have a material impact on the consolidated profit or equity.

Notes to the consolidated financial statements

For the year ended 31 December 2006

3. SUPPORTING NOTES TO THE FINANCIAL STATEMENTS**3.1. Group entities****3.1.1. Control of the Group**

The Group's ultimate parent company is ECM REAL ESTATE INVESTMENTS A.G. which is controlled by the owners.

3.1.2. Subsidiaries, joint-ventures and associates

	Country of incorporation	Ownership interest	
		2006	2005
ECM Finance a.s.	Czech Republic	100%	100%
ECM Real Estate Investments, k.s.	Czech Republic	100%	100%
CITY PARKVIEW s.r.o. (SPV Court, s.r.o.)	Czech Republic	100%	100%
CITY TOWER s.r.o. (SPV TOWER, s.r.o.)	Czech Republic	100%	100%
LANCASTER a.s.	Czech Republic	100%	100%
TABULA MAIOR, a.s.	Czech Republic	100%	95%
TABULA MINOR, a.s.	Czech Republic	100%	95%
ECM Byty s.r.o.	Czech Republic	100%	100%
STROMOVKA OBCHODNI CENTRUM a.s. (ECM Retail CB, a.s.)	Czech Republic	100%	100%
ECM Hotel Operations EUROPORT s.r.o.	Czech Republic	100%	100%
ECM Hotel Operations Plzeň s.r.o.	Czech Republic	100%	100%
SPV POINT, a.s.	Czech Republic	100%	5%
ECM CITY POINT a.s.	Czech Republic	100%	--
ADARKON a.s.	Czech Republic	100%	--
EPOQUE HOTEL a.s.	Czech Republic	100%	--
EPOQUE - LANCASTER a.s.	Czech Republic	100%	--
ECM OFFICES LIBEN s.r.o.	Czech Republic	100%	--
ECM CITY EMPIRIA a.s.	Czech Republic	100%	--
ECM Facility a.s.	Czech Republic	100%	--
ECM REGIONS CZ S. a r.l.	Luxembourg	100%	--
SAZERAC a.s.	Czech Republic	100%	--
MV CENTRUM, a.s.	Czech Republic	100%	--
CITY ELEMENT s.r.o.	Czech Republic	100%	--
EMPIRIA BUILDING s.r.o.	Czech Republic	100%	--
ECM Russia o.o.o.	Russia	100%	--
Ryazan Investors Company Ltd.	Cyprus	100%	--
Ryazan Shopping Mall Ltd.	Cyprus	100%	--
GRASLON a.s.	Czech Republic	100%	--
2P, s.r.o.	Czech Republic	50%	67.5%
Rezidence Unhošť a.s.	Czech Republic	50%	100%
Czech Real Estate Regions S. a r.l.	Luxembourg	50%	--
VARENSKA OFFICE CENTER, a.s.	Czech Republic	50%	--
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%
ECM Airport Center a.s.	Czech Republic	49.5%	49.5%
TRADITRADE, s.r.o.	Czech Republic	--	100%
ECM Real Estate Development Prague s.r.o.	Czech Republic	--	100%
ECM Real Estate Consulting (Beijing) Co.,Ltd.	China	--	100%

Notes to the consolidated financial statements

For the year ended 31 December 2006

3.1.3. Acquisitions of subsidiaries

During 2006, the Group acquired the following companies:

Company	Share	Purchased on
ECM REGIONS CZ S. a r.l.	100%	13 January 2006
EPOQUE - LANCASTER a.s.	100%	23 January 2006
ADARKON a.s.	100%	7 February 2006
ECM CITY POINT a.s.	100%	1 June 2006
ECM CITY EMPIRIA a.s.	100%	1 June 2006
ECM Facility a.s.	100%	7 June 2006
EPOQUE HOTEL a.s.	100%	15 June 2006
ECM OFFICES LIBEN s.r.o.	100%	28 June 2006
GRASLON a.s.	100%	27 August 2006
Ryazan Investors company Ltd.	100%	22 July 2006
Ryazan Shopping Mall Ltd.	100%	22 July 2006
MV CENTRUM, a.s.	100%	27 September 2006
SPV POINT, a.s.	100%	27 July 2006
CITY ELEMENT s.r.o.	100%	19 September 2006
EMPIRIA BUILDING s.r.o.	100%	27 September 2006
SAZERAC a.s.	100%	31 October 2006
ECM Russia o.o.o	100%	22 November 2006

During 2005, the Group acquired the following companies:

Company	Share	Purchased on
ECM Hotel Operations EUROPORT s.r.o.	98.39%	1 April 2005
ECM Hotel Operations Plzeň s.r.o.	98.39%	26 October 2005
ECM Byty s.r.o.	100%	26 April 2005
ECM Retail CB, a.s.	100%	24 November 2005
Rezidence Unhošť a.s.	100%	10 November 2005
ECM Real Estate Investments, k.s.	100%	21 December 2005
ECM Real Estate Development Prague s.r.o.	100%	21 December 2005

During 2005, the Group established the following companies:

Company	Share	Established on
ECM Real Estate Consulting (Beijing) Co., Ltd.	100%	22 December 2005

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For the year ended 31 December 2006

3.1.4. Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities:

The acquiree's net assets at the acquisition date (for companies acquired in 2006)

<i>In thousands of euros</i>	ECM CITY POINT a.s.	ECM OFFICES LIBEN s.r.o.	ADARKON a.s.	EPOQUE HOTEL a.s.	ECM CITY EMPIRIA a.s.	EPOQUE - LANCASTER a.s.
Intangible fixed assets	1	--	--	1	1	--
Cash and cash equivalents	71	7	70	71	71	70
Trade payables	(1)	--	--	(1)	(1)	--
Net identifiable assets and liabilities	71	7	70	71	71	70
Net identifiable assets and liabilities in statutory books	(71)	(7)	(70)	(71)	(71)	(70)
Fair value adjustments	--	--	--	--	--	--
Net identifiable assets and liabilities in fair values	(71)	(7)	(70)	(71)	(71)	(70)
Cash (acquired)	71	7	70	71	71	70
Net cash outflow	--	--	--	--	--	--

The acquiree's net assets at the acquisition date (for companies acquired in 2006) (continued)

<i>In thousands of euros</i>	ECM Facility a.s.	MV CENTRUM a.s.	EMPIRIA BUILDING s.r.o.	SPV POINT, a.s.	CITY ELEMENT s.r.o.	ECM REGIONS CZ S. a r.l.
Property, plant and equipment	129	237	12	--	--	--
Investment property	--	51,984	--	17,119	--	--
Intangible assets	14	3	--	--	--	--
Provided loans	52	908	--	409	--	--
Investments	--	380	--	--	--	--
Trade and other receivables	1,520	1,741	--	1,876	2	--
Cash and cash equivalents	54	23	18	8	5	12
Trade and other payables	(1,188)	(2,766)	(38)	(371)	--	--
Other long term payables	--	(2)	--	(531)	--	--
Interest bearing loans	(238)	(47,123)	(10)	(15,843)	--	--
Provisions	--	(9)	--	--	--	--
Deferred tax	--	(1,731)	1	225	--	--
Net identifiable assets and liabilities in statutory books	343	3,645	(17)	2,892	7	12
Fair value adjustments	--	21,707	--	7,422	--	--
Net identifiable assets and liabilities in fair values	343	25,352	(17)	10,314	7	12
Consideration, paid in cash	(1,000)	(25,414)	(3)	(10,233)	(7)	(19)
Cash (acquired)	54	23	18	8	5	12
Net cash outflow	(946)	(25,391)	15	(10,225)	(2)	(7)

Notes to the consolidated financial statements

For the year ended 31 December 2006

The acquiree's net assets at the acquisition date (for companies acquired in 2006) (continued)

<i>In thousands of euros</i>	GRASLON a.s.	SAZERAC a.s.	ECM Russia o.o.o.	RYAZAN Investors Company Ltd	Ryazan Shopping Mall Ltd.
Property, plant and equipment	344	--	41	--	--
Intangible assets	540	--	--	--	--
Trading property	--	--	--	--	--
Other investments	--	--	--	222	--
Provided loans	--	--	--	257	--
Deferred tax assets	--	--	85	--	--
Trade and other receivables	72	1	262	--	2,151
Cash and cash equivalents	64	64	--	1	2
Trade and other payables	(8)	(2)	(65)	(217)	(2,092)
Interest bearing loans	(407)	--	(640)	(257)	(52)
Net identifiable assets and liabilities in statutory books	605	63	(311)	6	9
Fair value adjustments	--	--	--	--	--
Net identifiable assets and liabilities in fair values	605	63	(311)	6	9
Consideration, paid in cash	(605)	(397)	(9)	(17)	(17)
Cash (acquired)	64	64	--	1	2
Net cash outflow	(541)	(333)	(9)	(16)	(15)

The acquiree's contribution to the consolidated net profit in 2006 (for companies acquired in 2006)

<i>In thousands of euros</i>	ECM CITY POINT a.s.	ECM ADARKON OFFICES LIBEN s.r.o.	a.s.	EPOQUE HOTEL a.s.	EMPIRIA BUILDING s.r.o.	ECM CITY EMPIRIA a.s.
Net profit/(loss) contributed to consolidated profit in 2006	(753)	1,154	(11)	(27)	2	(2,210)

<i>In thousands of euros</i>	EPOQUE - LANCASTER a.s.	ECM Facility a.s.	ECM REGIONS CZ S. a r.l.	SPV POINT, a.s.	MV CENTRUM a.s.	CITY ELEMENT s.r.o.
Net profit/(loss) contributed to consolidated profit in 2006	(38)	74	(743)	329	(465)	(6)

<i>In thousands of euros</i>	GRASLON a.s.	SAZERAC a.s.	Ryazan Shopping Mall Ltd.	RYAZAN Investor company Ltd	ECM Russia, o.o.o.
Net profit/(loss) contributed to consolidated profit in 2006	(9)	(11)	(136)	(21)	--

The acquiree's net assets at the acquisition date (for companies acquired in 2005)

<i>In thousands of euros</i>	ECM Hotel Operations EUROPORT, s.r.o.	ECM Hotel Operations Plzeň s.r.o.	ECM Byty s.r.o.	ECM Retail CB, a.s.	Rezidence Unhošt a.s.
Trade and other receivables	--	2	--	5	5
Cash and cash equivalents	7	5	7	64	64
Net identifiable assets and liabilities in statutory books	7	7	7	69	69
Fair value adjustments	--	--	--	--	--
Net identifiable assets and liabilities in fair values	7	7	7	69	69
Consideration, paid in cash	(7)	(7)	(7)	(69)	(69)
Cash (acquired)	7	5	7	64	64
Net cash outflow	--	(2)	--	(5)	(5)

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The acquiree's net assets at the acquisition date (for companies acquired in 2005) (continued)

<i>In thousands of euros</i>	ECM Real Estate Investments, k.s.	ECM Real Estate Development Prague s.r.o.
Property, plant and equipment	269	--
Trading property - inventory	2,783	--
Investment property	2,521	--
Intangible assets	49	--
Other investments	1,677	909
Trade and other receivables	2,494	948
Cash and cash equivalents	100	3
Trade and other payables	(9,174)	(516)
Net identifiable assets and liabilities in statutory books	719	1,344
Fair value adjustments	--	--
Net identifiable assets and liabilities in fair values	719	1,344
Consideration, paid in cash	(719)	(1,344)
Cash (acquired)	100	3
Net cash outflow	(619)	(1,341)

The acquiree's contribution to the consolidated net profit in 2005 (for companies acquired in 2005)

<i>In thousands of euros</i>	ECM Hotel Operations EUROSPORT, s.r.o.	ECM Hotel Operations s Plzeň s.r.o.	ECM Byty s.r.o.	ECM Retail CB, a.s.	Rezidence Unhošť, a.s.	ECM Real Estate Investments, k.s.	ECM Real Estate Development Prague s.r.o.
Net profit contributed to consolidated profit in 2005	(2)	(2)	(13)	(4)	(4)	1	(13)

If the acquisitions had occurred on 1 January 2005, the Group revenue and net profit would not significantly differ from the values included in the consolidated financial statements. This is due to the fact that the acquired companies did not show any significant activity prior to their acquisition by the Group.

3.2. Gross rental and service income

Gross rental income totals TEUR 3,964 (2005 – TEUR 2,136), which consists of income from the rental of offices, land and garages.

Service income totals TEUR 4,351 (2005 – TEUR 0), which consists of income from facility management activities provided in connection with rent activity. The income is generated by MV CENTRUM, a.s., ECM Real Estate Investments, k.s. and ECM Facility a.s.

3.3. Net service charge income and property operating expenses**3.3.1. Net service charge income**

<i>In thousands of euros</i>	2006	2005
Service charge income	32	30
Service charge expenses	(194)	(76)
Total	(162)	(46)

3.3.2. Property operating expenses

<i>In thousands of euros</i>	2006	2005
Repairs and maintenance	(590)	(569)
Depreciation of finance lease assets	(331)	(332)
Energy	(320)	(97)
Depreciation of tangible fixed assets	(155)	(392)
Other expenses	(475)	(73)
Total property operating expenses	(1,871)	(1,463)

3.4. Net valuation gains and losses on investment property**3.4.1. Valuation gains on investment property**

<i>In thousands of euros</i>	2006	2005
<i>Entity description – Project description</i>		
CITY PROJECT	7,866	32,305
VARENSKA OFFICE CENTER	1,468	--
ECM OFFICE LIBEN s.r.o.	1,428	--
Rezidence Unhošť a.s.	155	--
ECM BYTY s.r.o.	117	--
Total	11,034	32,305

3.4.2. Valuation losses on investment property

<i>In thousands of euros</i>	2006	2005
<i>Entity description – Project description</i>		
MV CENTRUM a.s.	(2,875)	--
SPV POINT a.s.	(66)	--
CITY PROJECT	--	(183)
ECM AIRPORT CENTER a.s. - Europort	--	(466)
	(2,941)	(649)
Net valuation gains and losses on investment property	8,093	31,656

3.5. Net result on disposal of investment property

<i>In thousands of euros</i>	2006	2005
Proceeds from sale of investment property		
<i>Entity description – project description</i>		
TRADITRADE, s.r.o. – City Arena	15,937	--
TABULA MINOR, a.s.	71	--
Total	16,008	--
Carrying value of sold investment property		
<i>Entity description – project description</i>		
TRADITRADE, s.r.o. – City Arena	(15,365)	--
TABULA MINOR, a.s.	(762)	--
Total	(16,127)	--
Net profit on disposal of investment property	(119)	--

3.5.1. TRADITRADE, s.r.o. – City Arena

The ownership interest transfer agreement on the transfer of 100% ownership in TRADITRADE, s.r.o. was signed in May 2006. Total cash in flow was TEUR 5,728. The shares of the subsidiary TRADITRADE, s.r.o. were sold for TEUR 2,858 in cash, and a post-tax gain of TEUR 572 was realised. The new owner of TRADITRADE, s.r.o. paid TEUR 3,118 of payables of TRADITRADE, s.r.o. to the companies of ECM Group.

Effect of the disposal on investment property and related accounts of the Group (TRADITRADE, s.r.o.)

<i>In thousands of euros</i>	2006
Carrying value of investment property sold	7,892
Cash and cash equivalents	7,462
Trade and other receivables	11
	15,365
Trade payables and other liabilities	13,079
Sales price	2,858
	15,937
Net identifiable assets and liabilities	(15,365)
Net gain on disposal	572

3.5.2. TABULA MINOR, a.s.

Agreement on the sale of half of the land in TABULA MINOR, a.s. was signed in March 2006. The land was sold for TEUR 71 in cash and a loss of TEUR 691 was realised.

Effect of the disposal on investment property of the Group (TABULA MINOR, a.s.)

<i>In thousands of euros</i>	2006
Sales price	71
Carrying value of investment property sold	(762)
Net loss on disposal	(691)

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3.6. Net result on disposal of trading property

<i>In thousands of euros</i>	2006	2005
Proceeds from sale of trading property - inventory and related accounts		
<i>Entity description – project description</i>		
ECM Finance a.s. – ECE Project	2,424	--
ECM Airport Center a.s.– Europort	--	6,749
2P, s.r.o.– DIPLOMAT	--	391
	2,424	7,140
Carrying value of sold trading property - inventory and related accounts		
<i>Entity description – project description</i>		
ECM Finance a.s. – ECE Project	(2,162)	--
ECM Airport Center a.s.– Europort	--	(5,502)
2P, s.r.o.– DIPLOMAT	--	(381)
SPV POINT, a.s. – City Point	--	(193)
	(2,162)	(6,076)
Net profit on disposal of trading property	262	1,064

3.6.1. ECM Finance a.s. – ECE project

Agreements for development of Pankrác Shopping Center and the sale of related property to Pankrác Shopping Center k.s. and ECE Projektmanagement Praha s.r.o. were signed in June 2001. The land was sold in 2003. In April 2006 the project was finished and sold for TEUR 2,424 and a profit of TEUR 262 was realised.

3.6.2. ECM Airport Center a.s.

The ownership interest transfer agreement on the transfer of a 99% stake held by the Group in ECM Airport Center a.s. was signed on 18 May 2005. The ownership transfer is to be completed in two stages, each stage involving a 49.5% stake. Only the first stage of the transaction (Closing I) has been completed as of 31 December 2005. The shares of the subsidiary ECM Airport Center a.s. were sold for TEUR 3,500 in cash and a post-tax gain of TEUR 1,247 was realised.

The second stage is to be completed following the finalisation of development work and the subject property is approved for use and tenants take possession of the premises. The final purchase price can be adjusted subject to certain conditions not being met.

Effect of the disposal on property – inventory and related accounts of the Group (ECM Airport Center a.s.)

<i>In thousands of euros</i>	2005
Carrying value of sold trading property - inventory and related accounts	
Investment property	5,597
Trade and other receivables	27
Effect in movement in foreign exchange rate	(122)
Total	5,502
Trade payables and other liabilities	3,249
Sales price	3,500
Total	6,749
Net identifiable assets	(5,502)
Net gain/loss on disposal	1,247

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For the year ended 31 December 2006

3.7. Administrative expenses

<i>In thousands of euros</i>	2006	2005
Wages and salaries	(1,728)	(241)
Advertising expenses	(921)	(952)
Audit, tax, advisory services	(985)	(97)
Change in provision (Note 3.24)	(774)	--
Social security contributions	(603)	(66)
Material consumption	(574)	(79)
Legal services	(55)	(17)
Amortisation of intangible fixed assets	(40)	(63)
Other administrative expenses	(2,442)	(1,577)
Total	(8,122)	(3,092)

The increase of salaries is connected with acquisitions of subsidiaries that have more employees. ECM Real Estate Investments, k.s. was purchased in December 2005 and ECM Facility a.s. was acquired in June 2006.

3.8. Other income

<i>In thousands of euros</i>	Note	2006	2005
Income on sale of MV Centrum a.s.	3.8.1.	2,902	--
Income on sale of 50% share in 2P s.r.o.	3.8.2.	845	--
Income on sale of ECM Real Estate Development Prague, s.r.o.	3.8.3.	154	--
Penalties		3	298
Net income on disposal of material, property, plant and equipment		--	13
Other		719	518
Total		4,623	829

3.8.1. MV Centrum a.s.

The ownership interest transfer agreement on the transfer of a 100% stake in MV CENTRUM, a.s. was signed on 15 July 2004. The parties have agreed on the preliminary purchase price for the shares and adjusting in 2006. The ECM Group has paid TEUR 453 in cash in 2004. The price was adjusted in 2006 and the additional TEUR 2,902 was received by ECM Group.

3.8.2. 2 P s.r.o.

In November 2005, the Group sold 32.5% of its shares in the subsidiary 2P, s.r.o. to Kanebo Investments S.A. The shares of the subsidiary 2P, s.r.o. were sold for TEUR 4 in cash, and a post-tax gain of TEUR 10 was realised.

In March 2006, the Group acquired back 32.5% of its shares in the subsidiary from Kanebo Investments S.A. and owned 100% of 2P, s.r.o. In March 2006, an agreement on transfer of the 100% ownership interest in 2P, s.r.o. from the Company to Czech Real Estate Regions S.a.r.l. was signed. 50% of the issued capital of Czech Real Estate Regions S.a.r.l. is owned by ECM Group.

The shares of 2P, s.r.o. were sold for TEUR 860 in cash, and a post-tax gain of TEUR 845 was realised. Total price in agreement on transfer of shares before consolidation adjustments amounted to TEUR 1,739.

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For the year ended 31 December 2006

3.8.3. ECM Real Estate Development Prague s.r.o.

On 30 June 2006, an agreement on the transfer of 100% ownership interest in ECM Real Estate Development Prague s.r.o. to ECM Real Estate Investments II A.G. was signed. The share in the subsidiary was sold for TEUR 1,432 in cash, and a post-tax gain of TEUR 154 was realised.

Effect of the disposal on accounts of the Group (ECM Real Estate Development Prague, s.r.o.)

<i>In thousands of euros</i>	2006
Provided loans	972
Cash and cash equivalents	1
Trade and other receivables	700
Trade payables and other liabilities	(395)
	1,278
Sales price	1,432
	1,432
Net identifiable assets and liabilities	(1,278)
Net gain on disposal	154

3.9. Other expenses

<i>In thousands of euros</i>	2006	2005
Penalties	(686)	(31)
Change in provisions (Note 3.24.)	(93)	(16)
Taxes	(36)	(19)
Receivable written off	(13)	(5)
Other	(817)	(619)
TOTAL	(1,645)	(690)

The amount of penalties includes mainly penalty interests for late payment of purchase price of the Company MV CENTRUM, a.s.

3.10. Net financial income / expense

<i>In thousands of euros</i>	2006	2005
Gain from cession of loan payable to BOHL MEZZANINE INVESTMENT S.A.	14,373	--
Net foreign exchange gain	4,840	587
Revaluation of financial derivatives	963	--
Bank interest income	125	64
Other financial income	175	14
Financial income	20,476	665
Interest expense related to non-bank loans	(1,329)	(1,115)
Bank interest expense	(1,299)	(208)
Expenses from convertible debenture loan	(1,148)	--
Interest charges related to financial leases	(688)	(1,673)
Other financial expenses	(919)	(120)
Financial expenses	(5,383)	(3,116)
Net financial income / expense	15,093	(2,451)

Some of the Group companies had loan payables to BOHL MEZZANINE INVESTMENT S.A. ("Bohl") as at 31 December 2005. Based on the agreement between Bohl and TELOR INTERNATIONAL LIMITED ("TELOR") of 15 June 2006, Bohl's receivables from the Group companies amounting to TEUR 28,063 were sold to TELOR for their nominal value. Bohl and TELOR are related parties.

Based on the agreement between TELOR and ECM REAL ESTATE INVESTMENTS A.G. of 30 June 2006, TELOR's receivables from the Group companies in the nominal value of TEUR 28,063 were sold to ECM REAL ESTATE INVESTMENTS A.G. The receivables were sold for TEUR 13,768.

Notes to the consolidated financial statements

For the year ended 31 December 2006

As a result of this transaction, the Group realised a profit before tax of TEUR 14,295 in 2006. This profit is presented under net financial income.

3.11. Taxation**3.11.1. Income tax expense recognised in the income statement**

<i>In thousands of euros</i>	2006	2005
Current tax expense		
Current year	(1,769)	(6)
Total	(1,769)	(6)
Deferred tax expense		
New and reversed temporary differences	(5,641)	(7,383)
Effect of changes in foreign currency rates	(229)	(85)
Benefit of tax losses recognised	1,754	200
Total	(4,116)	(7,268)
Total income tax expense in income statement	(5,885)	(7,274)

3.11.2. Reconciliation of effective tax rate

<i>In thousands of euros</i>	2006	2006	2005	2005
Profit before tax		24,840		27,984
Income tax using the domestic corporation tax rate	24.00%	(5,962)	24.0%	(6,716)
Non-deductible expenses		(1,527)		(456)
Tax exempt revenues		621		296
Effect of tax losses included in the deferred tax for the first time		983		--
Effect of tax losses not included in the deferred tax		--		(398)
Total		(5,885)		(7,274)

The Group did not generate any significant taxable profits in 2005 and 2006. The recorded income tax expense related primarily to the change in deferred tax. Consequently, tax rates of 24% are used. These rates were enacted or substantially enacted for the periods in which the temporary differences are likely to reverse.

3.11.3. Current tax assets and liabilities

The current tax asset of TEUR 17 (2005 – TEUR 18) represents the amount of income tax recoverable in respect of current and prior periods, i.e., the amount by which the income tax receivable exceeds payments.

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3.11.4. Deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

<i>In thousands of euros</i>	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Investment property	670	--	(21,654)	(8,064)	(20,984)	(8,064)
Trading property - inventory	2,735	2,490	--	--	2,735	2,490
Finance lease	394	302	--	--	394	302
Property, plant and equipment	--	--	(20)	(38)	(20)	(38)
Interest-bearing loans and borrowings	--	182	(3,260)	--	(3,260)	182
Trade receivables	177	185	0	--	177	185
Other items	277	--	0	(22)	277	(22)
Tax losses carried-forward	2,516	762	0	--	2,516	762
Tax assets/(liabilities)	6,769	3,921	(24,934)	(8,124)	(18,165)	(4,203)
Unrecognised tax losses	--	(983)	--	--	--	--
Set-off of tax	--	608	--	(608)	--	--
Net tax assets/(liabilities)	6,769	4,529	(24,934)	(8,732)	(18,165)	(4,203)

3.11.5. Movement in temporary differences during the year

<i>In thousands of euros</i>	Balance at 1 Jan 05	Recognised in income	Disposed of as a result of change in the consolidation method	Balance at 31 Dec 05
Investment property	490	(10,119)	1,565	(8,064)
Impairment of trading property - inventory	--	2,490	--	2,490
Finance lease	215	87	--	302
Property, plant and equipment	(47)	9	--	(38)
Interest-bearing loans and borrowings	194	(12)	--	182
Trade receivables	137	48	--	185
Other items	26	(48)	--	(22)
Tax value of loss carry-forward - recognised	600	162	--	762
Total	1,615	(7,383)	1,565	(4,203)

<i>In thousands of euros</i>	Balance at 31 Dec 05	Recognised in income	Change in deferred tax as a result of acquisitions	Balance at 31 Dec 06
Investment property	(8,064)	(2,760)	(10,160)	(20,984)
Impairment of trading property - inventory	2,490	245	--	2,735
Finance lease	302	92	--	394
Property, plant and equipment	(38)	18	--	(20)
Interest-bearing loans and borrowings	182	(3,442)	--	(3,260)
Trade receivables	185	(8)	--	177
Other items	(22)	214	85	277
Tax value of loss carry-forwards - recognised	762	1,754	--	2,516
Total	(4,203)	(3,887)	(10,075)	(18,165)

The amount recognised in income includes new and reversed temporary differences (TEUR (5,641)) and the benefit of tax losses recognised (TEUR 1,754).

The disposal of TEUR 1,565 recorded in 2005 related to the disposal of 50% of the Group's interest in ECM Airport Center a.s. As a result of the disposal, the remaining Group interest in ECM Airport Center a.s. is accounted for using the equity method as at 31 December 2005. Consequently, the deferred tax liability of TEUR 1,565 existing as at the date of the disposal is no longer recognised in the deferred tax balance as at 31 December 2005.

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3.12. Investment property

<i>In thousands of euros</i>	ECM AIRPORT CENTER, a.s. Europort	VARENS KA OFFICE CENTER, a.s.	MV CEN- TRUM, a.s.	SPV POINT, a.s.	ECM OFFICE LIBEN, s.r.o.	CITY PROJEC T	ECM BYTY, s.r.o.	Residence Unhost, a.s.	Total
Balance at 1 January 2005	10,504	--	--	--	--	49,630	--	--	60,134
Acquisitions	454	--	--	--	--	6,911	--	--	7,365
Acquisitions of companies	300	--	--	--	--	2,221	--	--	2,521
Fair value adjustment	(466)	--	--	--	--	31,523	--	--	31,057
Effect in movement in foreign exchange rate	517	--	--	--	--	3,329	--	--	3,846
Transfer to trading property - inventory	--	--	--	--	--	(28,614)	--	--	(28,614)
Disposals	(11,309)	--	--	--	--	--	--	--	(11,309)
Balance at 31 December 2005	--	--	--	--	--	65,000	--	--	65,000
Balance at 1 January 2006	--	--	--	--	--	65,000	--	--	65,000
Acquisitions	--	275	143	--	9,633	6,991	--	--	17,042
Transfer from trading property	--	--	--	--	--	321	--	--	321
Transfer from property, plant and equipment	--	--	12	--	--	--	1,040	1,231	2,283
Acquisitions of companies	--	2,517	80,424	26,758	--	--	--	--	109,699
Fair value adjustment	--	1,468	(2,875)	(66)	1,428	7,866	117	155	8,093
Effect in movement in foreign exchange rate	--	130	2,347	810	31	3,902	3	6	7,229
Disposals	--	--	--	(2)	--	(8,728)	--	--	(8,730)
Balance at 31 December 2006	--	4,390	80,051	27,500	11,092	75,352	1,160	1,392	200,937

Investment property comprises advances paid to suppliers of TEUR 607 (2005 – TEUR 732).

Acquisitions of companies represent purchases of investment property as part of the acquisition of subsidiaries.

Disposals included in the above table in 2005 represent the disposal of investment property as a result of a change in the consolidation method applied to the Group's interest in ECM Airport Center a.s. in 2005. As described in Note 3.6.2., the Group sold 50% of its interest in ECM Airport Center a.s. in May 2005. Consequently, the consolidation method used in respect of ECM Airport Center a.s. was changed from full consolidation to the equity method of accounting.

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Project	Description	Estimated total rentable/saleable space (sq.m)
CITY	Multi-purpose development scheme (see a separate description below) in Prague 4/Pankrac district	160,956
VARENSKA OFFICE CENTER	Office building known as small and large building – include office building, storage, circulation areas and lobby	13,186
ECM OFFICES LIBEN	Multi-purpose office and retail building, currently used for generating of rental income	5,638
RESIDENCE LETNANY	Residential project	4,458
TERASY UNHOST	Residential project	14,278
CITY EMPIRIA	Multi-purpose office and retail building, currently used for generating of rental income	23,863
CITY POINT	Multi-purpose office and retail building, currently used for generating of rental income	8,939
EUROPORT	Marriot Courtyard at Prague airport, 240 room hotel plus retail and parking spaces	3,844
Detailed description of CITY project		
CITY COURT	Office building with kitchen, canteen, storage and parking	18,703
CITY EPOQUE	Consists of 2 projects: EPOQUE RESIDENTIAL and EPOQUE HOTEL: EPOQUE RESIDENTIAL - 170 apartments on 30 floors, 326 basement parking places, complementary services EPOQUE HOTEL - 320 hotel rooms on 22 floors, 4 basement floors with parking places, infrastructure, convention facilities	19,805
CITY DECO	Multi-purpose project with offices, retail spaces, conference room, storage areas, dining facility, parking places	27,189
CITY FORUM		
CITY ELEMENT	Residential building with parking lots and retail units where the existing garage building is located, currently in the acquisition phase	36,400
EMPIRIA IV		

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3.13. Property, plant and equipment

<i>In thousands of euros</i>	Land and buildings	Plant and construction equipment	Under construction	Advance payments	Other	Finance leases	Total
Cost							
Balance at 1 January 2005	1,126	1,188	559	427	108	12,368	15,776
Acquisitions through business combinations	139	611	3	--	11	--	764
Other acquisitions	721	258	981	635	3	--	2,598
Disposals	(54)	(236)	(11)	(3)	--	--	(304)
Effect of movements in foreign exchange	49	46	25	(23)	6	--	103
Balance at 31 December 2005	1,981	1,867	1,557	1,036	128	12,368	18,937
Balance at 1 January 2006	1,981	1,867	1,557	1,036	128	12,368	18,937
Acquisitions through business combinations	40	514	347	1	--	60	962
Other acquisitions	745	245	5,802	250	--	--	7,042
Transfer to investment property	(1,419)	(12)	(675)	(177)	--	--	(2,283)
Transfer to trading property	--	--	(4,575)	(218)	--	(157)	(4,950)
Disposals	(1,087)	(197)	(443)	(766)	(43)	(149)	(2,685)
Effect of movements in foreign exchange	55	106	71	15	5	1,730	1,982
Balance at 31 December 2006	315	2,523	2,084	141	90	13,852	19,005
Accumulated depreciation and impairment losses							
Balance at 1 January 2005	(1,021)	(840)	--	--	--	(1,570)	(3,431)
Acquisitions through business combinations	--	(496)	--	--	--	--	(496)
Depreciation charge for the year	(47)	(341)	--	--	--	(332)	(720)
Transfer to investment property	--	--	--	--	--	--	--
Disposals	--	243	--	--	--	--	243
Effect of movements in foreign exchange	(51)	(70)	--	--	--	--	(121)
Balance at 31 December 2005	(1,119)	(1,505)	--	--	--	(1,902)	(4,526)
Balance at 1 January 2006	(1,119)	(1,505)	--	--	--	(1,902)	(4,526)
Acquisitions through business combinations	(1)	(197)	--	--	--	--	(198)
Depreciation charge for the year	(8)	(300)	--	--	--	(341)	(649)
Transfer to intangible assets	--	14	--	--	--	--	14
Disposals	1,087	176	--	--	--	--	1,263
Effect of movements in foreign exchange	(3)	(71)	--	--	--	--	(74)
Balance at 31 December 2006	(44)	(1,883)	--	--	--	(2,243)	(4,170)
Carrying amounts							
At 1 January 2005	105	348	559	427	108	10,798	12,345
At 31 December 2005	862	362	1,557	1,036	128	10,466	14,411
At 1 January 2006	862	362	1,557	1,036	128	10,466	14,411
At 31 December 2006	271	640	2,084	141	90	11,609	14,835

Disposals out of the Group represent disposals of the assets of the subsidiaries disposed of.

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Land and buildings

<i>In thousands of euros</i>	31 December 2006	31 December 2005
ECM Real Estate Investments, k.s.	157	150
ECM Finance a.s.	57	56
ECM Facility a.s.	39	--
ADARKON a.s.	18	--
ECM BYTY s.r.o.	--	656
Total	271	862

Plant and equipment

<i>In thousands of euros</i>	31 December 2006	31 December 2005
TABULA MAIOR, a.s.	215	169
MV CENTRUM a.s.	223	--
ECM Real Estate Investments, k.s.	92	101
ECM Russia, o.o.o.	41	--
ECM OFFICES LIBEN s.r.o.	25	--
ECM Facility a.s.	20	--
ECM Finance a.s.	10	83
LANCASTER a.s.	9	9
VARENSKA OFFICE CENTER a.s.	5	--
Total	640	362

Property under construction

<i>In thousands of euros</i>	31 December 2006	31 December 2005
ECM Real Estate Investments, k.s.	679	320
ECM Facility a.s.	577	--
GRASLON a.s.	413	--
ECM Finance a.s.	369	345
EPOQUE LANCASTER a.s.	28	--
ADARKON a.s.	8	--
STROMOVKA OBCHODNI CENTRUM, a.s. (ECM Retail CB)	7	--
EPOQUE HOTEL a.s.	3	--
2P, s.r.o.	--	870
Rezidence Unhošť a.s.	--	18
ECM Byty s.r.o.	--	4
Total	2,084	1,557

Advance payments for tangible fixed assets

<i>In thousands of euros</i>	31 December 2006	31 December 2005
GRASLON a.s.	73	--
ECM Finance a.s.	65	47
ECM Facility a.s.	3	--
Rezidence Unhošť a.s.	--	575
2P, s.r.o.	--	414
Total	141	1,036

Finance leases

<i>In thousands of euros</i>	31 December 2006	31 December 2005
ECM Finance a.s. - Hotel Marriott	11,267	9,850
ECM Finance a.s. - Vila C	292	333
ECM Facility a.s.	50	--
2P, s.r.o.	--	283
Total	11,609	10,466

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3.14. Intangible assets

<i>In thousands of euros</i>	Software	Goodwill	Other intangible assets	Total
Cost				
Balance at 1 January 2005	62	--	8	70
Acquisitions through business combinations	649	--	40	689
Other acquisitions	76	--	481	557
Effect of movements in foreign exchange rate	1	--	9	10
Balance at 31 December 2005	788	--	538	1,326
Balance at 1 January 2006	788	--	538	1,326
Acquisitions through business combinations	13	660	562	1,235
Other acquisitions	--	--	60	60
Disposal	(235)	--	(534)	(769)
Effect of movements in foreign exchange rate	36	--	27	63
Balance at 31 December 2006	602	660	653	1,915
Accumulated amortisation and impairment losses				
Balance at 1 January 2005	(59)	--	(6)	(65)
Amortisation for the year	(43)	--	(20)	(63)
Acquisitions through business combinations	(631)	--	(9)	(640)
Effect of movements in foreign exchange rate	(4)	--	(12)	(16)
Balance at 31 December 2005	(737)	--	(47)	(784)
Balance at 1 January 2006	(737)	--	(47)	(784)
Amortisation for the year	(17)	--	(23)	(40)
Acquisitions through business combinations	(11)	--	(5)	(16)
Transfer from property, plant	--	--	(14)	(14)
Disposal	235	--	35	270
Effect of movements in foreign exchange rate	(33)	--	(4)	(37)
Balance at 31 December 2006	(563)	--	(58)	(621)
Carrying amounts				
At 1 January 2005	3	--	2	5
At 31 December 2005	51	--	491	542
At 1 January 2006	51	--	491	542
At 31 December 2006	39	660	595	1,294

Other intangible assets primarily included the user's right in the amount of TEUR 502 as at 31 December 2005. The user's right was eliminated in the consolidation due to acquisition of MV CENTRUM a.s. in 2006.

The most significant additions of other intangible asset in 2006 are valuable contracts of TEUR 540 acquired through the acquisition of GRASLON a.s.

The goodwill was recorded in connection with the acquisition of two companies. The Group acquired a 100% share in ECM Russia o.o.o on 22 November 2006. The purchase price was TEUR 9 and total equity of ECM Russia, o.o.o. at the date of acquisition was TEUR (317). On 31 October 2006 the Group acquired a 100% share in SAZERAC a.s. for the purchase price of TEUR 397 and total equity of SAZERAC a.s. was TEUR 63.

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For the year ended 31 December 2006

3.15. Investments in associates and joint ventures**3.15.1. Investments in associates and joint ventures accounted for using the equity method**

The Group has the following investments in associates and joint ventures which were accounted for using the equity method:

	Country	Ownership	
		2006	2005
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%
ECM Airport Center a.s.	Czech Republic	49.5%	49.5%

As at 31 December 2006, the amount of the investment in ECM Airport Center a.s. totalled TEUR 2,897 (2005 – 2,297 TEUR) and the amount of the investment in EKZ Tschechien 4 Immobiliengesellschaft s.r.o. totalled TEUR 12 (2005 – TEUR 2).

The Group's share of the post-acquisition profit or loss of the above associates and joint ventures recognised as at 31 December 2006 is TEUR 1,895 (2005 - TEUR 1,514).

The financial information relating to associates and joint ventures (100%) is summarised below:

<i>In thousands of euros</i>	Assets	Liabilities	Equity	Profit
2006				
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	1,254	(1,229)	(25)	(31)
ECM Airport Center a.s.	45,080	(38,802)	(6,278)	(734)
2005				
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	122	(129)	7	--
ECM Airport Center a.s.	19,622	(14,671)	(4,951)	(96)

The ownership transfer agreement on the transfer of a 99% share held by the group in ECM Airport Center a.s. was signed on 18 May 2005. The ownership transfer is to be completed in two stages, each stage involving a 49.5% stake. Only the first stage of the transaction (Closing I) was completed as at 31 December 2006. So as of the year end ECM Group still own 49.5% of ECM Airport Center a.s. The second stage is to be completed following the finalisation of development work, the approval of the property for use, and possession of the premises by tenants. The final purchase price can be adjusted subject to certain conditions not being met.

3.15.2. Investments in joint ventures accounted for using the method of proportionate consolidation

The following joint ventures were acquired in 2006 and have been accounted for using the method of proportionate consolidation:

Company	Purchased on	Share	Country
Czech Real Estate Regions S. a r.l.	20 January 2006	50%	Luxembourg
VARENSKA OFFICE CENTER, a.s.	25 January 2006	50%	Czech Republic

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The acquiree's net assets at the acquisition date (for companies acquired in 2006)

<i>In thousands of euros</i>	Czech Real Estate Regions S.a r.l (50%).	VARENSKA OFFICE CENTER, a.s. (50%)
Property, plant and equipment	--	7
Investment property	--	2,517
Trade and other receivables	--	38
Cash and cash equivalents	6	213
Trade and other payables	--	(2,283)
Interest bearing loans	--	(239)
Net identifiable assets and liabilities	6	253
Consideration, paid in cash	(10)	(253)
Cash (acquired)	6	213
Net cash outflow	(4)	(40)

2P, s.r.o. and Rezidence Unhošť a.s. are also consolidated using the proportionate method of consolidation. Both companies were consolidated using the full method of consolidation as at 31 December 2005.

The financial information relating to joint ventures consolidated using the method of proportionate consolidation (100%) is summarised below:

<i>In thousands of euros</i>	Assets	Liabilities	Equity	Profit / (loss) for 6 months
31/12/2006				
2P, s.r.o.	10,846	(10,431)	(415)	309
Rezidence Unhošť a.s.	2,424	(2,140)	(284)	(76)
Czech Real Estate Regions S.a r.l.	4,978	(5,047)	69	(82)
VARENSKA OFFICE CENTER, a.s.	5,143	(4,849)	(294)	(246)

3.16. Provided loans

<i>In thousands of euros</i>	2006	Average interest rate	2005	Average interest rate
Provided loans	1,328	6,9%	562	4,6%
Total	1,328		562	

3.17. Long-term receivables

As at 31 December 2006 there were other long term receivable of TEUR 2 (2005 – TEUR 0).

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3.18. Trading property

Trading property - inventory

<i>In thousands of euros</i>	CITY TOWER s.r.o.	2P, s.r.o.	Other	Total
Balance at 1 January 2005	--	--	2,093	2,093
Transfer from investment property	28,614	--	--	28,614
Acquisition	--	--	2,349	2,349
Effect of movement in foreign exchange rate	--	--	--	--
Balance at 31 December 2005	28,614	--	4,442	33,056
Balance at 1 January 2006	28,614	--	4,442	33,056
Acquisition	5,215	--	4,831	10,046
Transfer to investment property	--	--	(321)	(321)
Transfer from property, plant and equipment	--	4,950	--	4,950
Effect of movement in foreign exchange rate	1,577	--	631	2,208
Disposals	--	--	(2,351)	(2,351)
Balance at 31 December 2006	35,406	4,950	7,232	47,588

Trading property comprises advances paid to suppliers of TEUR 1,879 (2005 – TEUR 62).

Trading property includes borrowing cost in amount of TEUR 438.

The ownership interest transfer agreement on the transfer of a 95% stake in SPV Tower, s.r.o. was signed on 23 August 2005. The sale is expected to take place following completion of construction work on the property and achieving a specified contracted rental income target. The construction is to be completed by December 2009. A future transfer agreement on the transfer of the remaining ownership interest will become effective after 31 December 2009.

Other trading property - inventory represents primarily unbilled services provided by ECM Real Estate Investments, k.s. to other companies outside the Group.

Description of trading property - inventory

Project	Description	Estimated total rentable/saleable space (sq.m)
CITY TOWER s.r.o.	Office building with retail, storage, parking, and restaurant facilities	44,951
2P, s.r.o.	Hotel and retail premises	4,438

3.19. Trade and other receivables

<i>In thousands of euros</i>	2006	2005
Trade receivables	8,435	6,391
Value added tax receivables	1,468	829
Pre-payments	3,926	477
Revaluation of derivatives	963	--
Prepaid expenses	385	258
Receivables from partners	1,507	259
Estimated receivables	121	49
Receivables from employees	91	34
Receivables from subscribed shareholder's capital	17	93
Other receivables	2,269	339
Total	19,182	8,729

Trade receivables are shown net of provisions for bad debts amounting to TEUR 183 recognised in the current year (2005 – TEUR 170).

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3.20. Cash and cash equivalents

<i>In thousands of euros</i>	2006	2005
Bank balances	37,730	2,903
Cash and cash equivalents	171	24
Cash and cash equivalents in the cash-flow statement	37,901	2,927

3.21. Changes in equity

The consolidated statement of changes in equity is presented on the face of the financial statements.

3.21.1. Share capital and share premium

<i>In thousands of shares</i>	Ordinary shares	
	2006	2005
Issued at 1 January	4,500	1,500
Newly issued shares	2,168	--
Transfer to share capital from retained earnings	600	3,000
Repurchased own shares	(918)	--
Issued at 31 December	6,350	4,500

The subscribed capital of the Company as at 31 December 2005 was TEUR 4,500, comprising 18 000 shares, each with a nominal value of EUR 250. All shares are of the same type (ordinary registered shares) and are fully paid-up. The authorised capital of the Company as at 31 December 2005 was determined to be TEUR 6,000 - to be divided into 24 000 shares each with a nominal value of EUR 250.

The general meeting of the Company's shareholders was held on 25 July 2006 and the following resolutions were adopted:

- 1) The general meeting decided that the nominal value of shares would be decreased from EUR 250 per share to EUR 1.5 per share. At the same time, the existing 18,000 shares were divided into 3,000,000 shares.
- 2) The Company increased its issued capital by TEUR 600 with a transfer from retained earnings. Therefore, nominal value of the existing shares was increased to EUR 1.7 per share.
- 3) The Company decided to increase its authorised capital to TEUR 10,000 divided into 5,882,353 shares. The Board of Directors is authorised and empowered to affect any increase of the corporate capital within the limits of the authorised capital. The authorisation is valid over a period of 5 years.
- 4) The general meeting of the Company decided to repurchase and subsequently cancel 540,000 of its treasury shares from Glandor Foundation. Subsequently, the Share Purchase Agreement was signed and the first repayment of the purchase price was made.

In December 2006, the Company offered 1,275,000 of new shares with a nominal value of EUR 1.7 per share in the following offerings:

- (A) Public offering to retail investors in the Czech Republic,
- (B) Private placement to selected institutional investors.

The difference between proceeds from above described offerings and nominal value of offered shares is presented as Share Premium as at 31 December 2006. Total IPO cost after deferred tax effect amounted to TEUR 4,498 and consisted mainly of legal and advisory cost.

No dividends were declared in 2006 and 2005.

3.21.2. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional to the presentation currency (see accounting policy (t)).

Notes to the consolidated financial statements

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3.21.3. Other changes in equity

Other changes in equity in the statement of changes in equity presented on the face of the financial statements as at 31 December 2005 include primarily minority interests reclassified to retained earnings as a result of the acquisition of ECM Real Estate Investments, k.s. in December 2005. ECM Real Estate Investments, k.s. is a minority owner of other subsidiaries within the Group.

3.21.4. Earnings per shareBasic earnings per share

Profit attributable to ordinary shareholders

In thousands of euros	Continuing operations	Discontinued operations	Total
Net profit for the period	18,755	--	18,755
Dividends on non-redeemable preference shares	--	--	--
Net profit attributable to ordinary shareholders	18,755	--	18,755

Weighted average number of ordinary shares

In thousands of shares	Ordinary shares	Weight	Weighted average
Issued ordinary shares at 1 January	3,000	360	3,000
Effect of own shares held	(540)	360	(540)
Effect of shares issued in December 2006	1,275	30	106
Weighted average number of ordinary shares as 31 December			2,566
Earnings per share			7.3

Diluted earnings per share

Profit attributable to ordinary shareholders (diluted)

In thousands of euros	Continuing operations	Discontinued operations	Total
Net profit attributable to ordinary shareholders	18,755	--	18,755
Net profit attributable to ordinary shareholders	18,755	--	18,755

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Weighted average number of ordinary shares (diluted)

In thousands of shares	Ordinary shares	Weight	Weighted average
Weighted average number of ordinary shares (basic) as 31 December	2,566		2,566
Effect of convertible warrants	1,728	150	720
Weighted average number of ordinary shares (diluted) as 31 December			3,286
Earnings per share (diluted)			5.7

Whereas the shares of the Company were not publicly traded in 2005 there are no comparative figures for earnings per share.

3.22. Interest-bearing loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are summarised below. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to Note 3.28.

<i>In thousands of euros</i>	2006	2005
Current liabilities		
Loans from third parties	(1,711)	--
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	(79)	--
Bank loans	(13,488)	--
Loans from related parties	(173)	--
Total	(15,451)	--

The Group also withdrawn the bank overdraft in the amount of TEUR (229) as at 31 December 2006 (2005 – TEUR 0).

<i>In thousands of euros</i>	2006	2005
Non-current liabilities		
Loans from third parties	(6,288)	(8,007)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	--	(27,248)
Bank loans	(102,463)	(13,837)
Loans from related parties	(1,710)	(4,075)
Total	(110,461)	(53,167)

The decrease of the loans due to Bohl Mezzanine Investments S.A. is caused by the purchase of the loans by ECM Group. For additional details related to the purchase refer to Note 3.10.

Non-current interest bearing loans and borrowings are payable as follows:

<i>In thousands of euros</i>	Amount as at 31 December 2006	Payable in 1-5 years	Payable after 5 years
Loans from third parties	(6,288)	(2,215)	(4,073)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	--	--	--
Bank loans	(102,463)	(90,599)	(11,864)
Loans from related parties	(1,710)	--	(1,710)
Total	(110,461)	(92,814)	(17,647)

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For the year ended 31 December 2006

<i>In thousands of euros</i>	Amount as at 31 December 2005	Payable in 1-5 years	Payable after 5 years
Loans from third parties	(8,007)	(327)	(7,680)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	(27,248)	--	(27,248)
Bank loans	(13,837)	(6,472)	(7,365)
Loans from related parties	(4,075)	--	(4,075)
Total	(53,167)	(6,799)	(46,368)

The maturity of the loans depends on the development of individual projects. Therefore, any further details related to the maturity of the above stated loans would be inaccurate.

The bank loans are secured as follows:

<i>In thousands of euros</i>		Carrying amount of pledged assets	
Entity	Assets pledged by the entity	2006	2005
LANCASTER a.s.	Land, trade receivables, shares	54,904	33,100
CITY TOWER s.r.o. (SPV TOWER, s.r.o.)	Land, trade receivables, receivables from insurance contracts, shares	35,411	28,622
TABULA MAIOR, a.s.	Land, trade receivables, receivables from insurance contracts, receivables from construction contracts, shares	16,923	16,111
CITY PARKVIEW s.r.o. (SPV Court, s.r.o.)	Land	7,244	6,316
2 P, s.r.o.	Current account receivables, land	4,961	9
MV CENTRUM, a.s.	Land, building, trade receivables, bianco bill of exchange, shares	80,180	--
TRADITRADE, s.r.o.	Land, current account receivables	--	6,983
ECM Facility a.s.	Bianco bill of exchange, shares	--	--
CITY ELEMENT s.r.o.	Bill of exchange	--	--
ECM Byty s.r.o.	Land	1,160	--
SPV POINT a.s.	Land, shares	27,500	--
ECM Real Estate Investments A.G.	Shares, bill of exchange	--	--
ECM OFFICES	Land, shares	11,092	--
LIBEN s.r.o.			
VARENSKA OFFICE CENTER a.s.	Land, shares, trade receivables	4,390	--
ECM Finance a.s.	Shares	--	575
Total		243,765	91,716

Pledge of the group's stakes and other guaranties for bank loans

Refer to note 3.29 Contingencies.

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For the year ended 31 December 2006

3.23. Bonds with convertible warrants

On 31 July 2006 the Company issued 115,212 bonds with redeemable warrants attached.

<i>In thousands of euros</i>	
Proceeds from issue of convertible notes	25,607
Transaction costs	(1,109)
Net proceeds	24,498
Amount classified as equity	(1,656)
Accrued interest	1,185
Carrying amount of liability at 31 December 2006	24,027

The amount of convertible warrants classified as equity of TEUR 1,656 is net of attributable transaction cost of TEUR 70.

The warrants are convertible into 1,728 thousand ordinary shares in June 2009 at the option of the holder, which is a rate of one share for each warrant. 15 warrants are attached to each bond.

Interest rate of the bonds is 5% and interest is payable on annual basis on the 31 July. Bonds will be redeemed in full on the 31 July 2008. Subject to certain conditions, the Company may decide to redeem all the Bonds early (on interest payment date) at par plus the interest amount accrued till the early redemption date.

3.24. Provisions

The Group creates provisions mainly for expected business risks with existing receivables, real estate-transfer tax and penalties. The provisions recorded by the Group as at 31 December 2006 amounted TEUR 1,119 (2005 – TEUR 211).

<i>In thousands of euros</i>	
Balance at 1 January 2005	187
Provisions created during the year	58
Provisions used during the year	(42)
Effect of movement in foreign exchange rate	8
Balance at 31 December 2005	211
Balance at 1 January 2006	211
Provisions created during the year	867
Provisions used during the year	(2)
Effect of movement in foreign exchange rate	43
Balance at 31 December 2006	1,119
Non-current	--
Current	1,119
Total	1,119

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3.25. Trade and other payables

<i>In thousands of euros</i>	2006	2005
Trade payables	(11,396)	(6,695)
Payable to the shareholder resulting from purchase of own shares	(4,649)	--
Advances received	(3,183)	(3,203)
Payables resulting from the purchase of financial assets	(2,017)	--
Estimated payables	(1,852)	(66)
Income tax payables	(609)	--
Payables to employees, social security and health insurance, employees income tax	(319)	(92)
Accrued expenses	(242)	(215)
Deferred revenues	(63)	(542)
Other payables	(391)	(86)
TOTAL	(24,721)	(10,899)

3.26. Finance lease liabilities

As at 31 December 2006, long-term liabilities amounted to TEUR 14,469 (2005 – TEUR 12,024), of which TEUR 13,733 (2005 – TEUR 11,551) related to finance lease liabilities.

Non-cancellable finance lease rentals are payable as follows:

<i>In thousands of euros</i>	2006	2005
Between one and five years	334	323
More than five years	13,399	11,228
Total	13,733	11,551

During the year ended 31 December 2006, TEUR 688 was recognised as an interest expense in the income statement in respect of finance leases (2005 – TEUR 700).

3.27. Operating leases**3.27.1. Contracts entered into by the Group as lessee**

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of euros</i>	2006	2005
Less than one year	63	669
Between one and five years	2,859	2,604
More than five years	821	408
Total	3,743	3,681

The Group has entered into finance and operating leases of land and is both the lessor (under finance lease) and the lessee for hotel operations. The Group also rents its headquarters under an operating lease agreement.

The Group leases offices and cars under operating leases. The Company has entered into an operating lease in respect of land at Prague Airport (ECM Airport Center a.s.).

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3.27.2. Contracts entered into by the Group as lessor

The Group leases out its investment property under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

<i>In thousands of euros</i>	2006	2005
Less than one year	498	472
Between one and five years	1,993	2,105
More than five years	104	636
Total	2,595	3,213

The Group has also entered into a sublease agreement for part of its premises. A certain portion of the sublease rentals is variable depending on the turnover of the lessee.

3.28. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Credit risk

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Investments can be made only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties that have a sound credit rating and with whom the Group has a signed netting agreement. Given their high credit ratings, the management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Foreign currency risk

The Group is exposed to foreign currency risk on borrowings that are denominated in a currency other than the Euros. The currency risk is managed where possible by making investments in the same currency as the financing sources utilised. If the currencies are different, the Group limits the risk, where appropriate, by using hedging instruments and other mechanisms.

The currency risk during the period of repayment of the liabilities to the third parties is usually offset by generating revenues denominated in the same underlying currency, which is applicable to both sales revenues and operating revenues.

EUR is also commonly used for transactions in the real estate market in the Czech Republic. As a result, the Group is exposed to foreign currency risk on investment properties and trading properties - inventory, where the related future revenues might be generated in EUR.

Derivative financial instruments were used in 2006 and 2005 to hedge against the exposure to foreign currency risk arising on forecast transactions.

Derivate financial instruments – open value as at 31 December 2006 amounts to TEUR 1,115.

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For the year ended 31 December 2006

The amount of derivative financial instruments not settled as at 31 December 2005 was insignificant to the size of the Group.

Interest Rate Risk

The interest rate risk is applicable generally to those business activities and development projects where the floating interest rates for the debt financing are used. Bank loans usually have flexible interest rates in a vast majority of senior financing cases depending on EURIBOR or PRIBOR rates for the reference period from 1 month to 6 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedge using derivatives should the exposure to cash flow interest rate risk exceed predefined levels.

Liquidity Risk

With respect to the nature of its business (where a vast majority of business activities performed are allocated in special purpose companies) and its assets, the Group is naturally exposed, to some extent, to liquidity risk. However, this risk is minimal because of the business strategy adopted and carried out by the Group – to develop a project property and execute an investment exit generating sales revenues or continue to operate the property.

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

<i>In thousands of euros</i>	2006				
	Effective interest rate	Total	6 months or less	6-12 months	1-5 Fixed interest rate years
Loans from third parties	12%	(6,288)	--	--	--
Bank loans	6%	(102,463)	(102,463)	--	--
Loans from related parties	5%	(1,710)	--	--	--
Total		(110,461)	(102,463)	--	--

<i>In thousands of euros</i>	2005					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	More than 5 years
Loans from third Parties	12%	(8,007)	(427)	--	--	(7,580)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	7%	(27,248)	(27,248)	--	--	--
Bank loans	5%	(13,837)	(13,837)	--	--	--
Loans from related parties	5%	(4,075)	(4,075)	--	--	--
Total		(53,167)	(45,587)	--	--	(7,580)

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Overview of foreign currency receivables and payables as at 31 December 2006

		Total	Less than 1 year	1-5 years	More than 5 years
Balance sheet items					
Trade receivables	TEUR	1,486	1,486	--	--
	TUSD	22	22	--	--
Trade payables	TEUR	(1,347)	(1,347)	--	--
	TUSD	(409)	(409)	--	--
	TGBP	(7)	(7)	--	--
Loans	TEUR	(116,639)	(7,589)	(92,613)	(16,437)
Bonds	TEUR	(24,027)	(1,185)	(22,842)	--
Finance lease liabilities	TEUR	(13,383)	(50)	(334)	(12,999)
Total balance sheet items	TEUR	(153,910)	(8,685)	(115,789)	(29,436)
	TUSD	(387)	(387)	0	0
	TGBP	(7)	(7)	0	0
Off balance sheet items					
Forwards - to buy EUR	TEUR	5,816	5,816	--	--
Forwards - to sell EUR	TEUR	(47,349)	(47,349)	--	--
Total off balance sheet items	TEUR	(41,533)	(41,533)	0	0
Total	TEUR	(195,443)	(50,218)	(115,789)	(29,436)
	TUSD	(388)	(388)	0	0
	TGBP	(7)	(7)	0	0

3.29. Contingencies

The Group identified the following contingencies as at 31 December 2006:

- ECM Finance a.s. pledged its business shares as a guarantee to bank to secure obtained loan. The guarantee totals TEUR 71,500.
- ECM Finance a.s. pledged its business shares as a guarantee to bank for group company to secure a loan in amount of TEUR 78,650.
- ECM Finance a.s. issued a guarantee to third parties on behalf of some of the group companies in amount of TCZK 4,480 and on behalf of third parties in amount of TEUR 598.
- ECM Finance a.s. has provided guarantees to banks on behalf of TABULA MAIOR, a.s. that it will reimburse the banks for all over-the-budget construction costs in case the Group company lack sufficient funds for additional loan repayments.
- ECM Finance a.s. has provided a guarantee on behalf of one of the Group companies for receivables from rental contracts.
- ECM Finance a.s. has provided a guarantee of TEUR 350 on behalf of third parties to secure bank's receivables from treasury operations.

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- ECM Finance a.s. issued a guarantee to group company for costs from restitution claims.
- ECM Real Estate Investments, k.s. issued 4 blank bills to secure its leasing liabilities by ČSOB Leasing a.s.
- ECM REAL ESTATE INVESTMENT A.G. pledged its stake for bank loans granted to Group company. The guarantee totals TEUR 3,500.
- ECM REAL ESTATE INVESTMENTS A.G. has pledged its stake in TABULA MAIOR, a.s., ECM Airport Center a.s. and 2P s.r.o. for bank loans granted to these Group companies. In addition the ECM REAL ESTATE INVESTMENTS S.A. pledged its receivables for the bank loan granted to ECM Finance a.s.
- ECM REAL ESTATE INVESTMENTS A.G., ECM Finance a.s., and CITY PARKVIEW s.r.o. have provided a guarantee for the credit repayments to banks on behalf of LANCASTER a.s. In addition the CITY PARKVIEW s.r.o. pledged its property to secure the bank loan of LANCASTER a.s.
- ECM REAL ESTATE INVESTMENT A.G. issued a blank bill in favour of a third party in amount of TEUR 700.
- Kanebo Investments A.G. and Czech Real Estate Regions S.a.r.l. pledged its business shares as a guarantee for bank loan granted to 2P, s.r.o. in amount of TEUR 13,500.
- Raiffeisenbank a.s. issued a bank guarantee on behalf of some group companies in favour of ECM Finance a.s. in the amount of TEUR 113.

Additional securities obtained for bank loans

- Mr. Milan Janků, President of the Company, pledged his business shares and signed bill of exchange as a guarantee for securing of bank loans of some group companies in the total amount of TEUR 47,700.
- Mgr. Patrik Šimek and Mrs. Jana Žejdlíková pledged their business shares as a guarantee for securing a of bank loan for VARENSKA OFFICE CENTER, a.s. in amount of TEUR 7,274.

Notes to the consolidated financial statements

For the year ended 31 December 2006

3.30. Related parties**3.30.1. Identity of related parties**

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and executive officers.

Key management persons are Chairman of the Board of Directors, Finance Director and Chief Project Manager. The accrued remuneration of the key management personnel is as follows:

<i>In thousands of euros</i>	2006	2005
Remuneration and benefits paid to key management	1,683	410
Total	1,683	410

3.30.2. Transactions with related parties

The Group identified the following transactions with related parties in 2006 and 2005:

<i>In thousands of euros</i>	2006	2005	
Milan Janků	Loans provided to the Group	4	3,667
	Loans granted by the Group	105	451
	Advances provided by the Group	--	365
	Payables to the Group	311	--
	Receivables from the Group	141	--
Europa Capital Management, a.s.	Receivables from the Group	321	--
	Payables to the Group	73	--
	Advances provided by the Group	--	194
Nonet s.r.o.	Loans granted by the Group	28	--
	Services provided to the Group	9	--
	Purchases from the Group	22	--
ECM Real Estate Development Prague s.r.o.	Loans provided to the Group	383	--
	Loans granted by the Group	283	--
	Payables to the Group	250	--
	Services provided to the Group	12	--
	Purchases from the Group	8	--
Wincroft Investment Management Ltd.	Payables to the Group	--	1,600
	Receivables from the Group	--	647
Kanebo Investments S.A.	Loans provided to the Group	166	364
Longin Business Center a.s.	Loans provided to the Group	1,329	--
	Loans granted by the Group	45	--
	Receivables from the Group	16	--
	Payables to the Group	2	--
	Services provided to Group	37	--
	Purchases from the Group	8	--
Ryazan Holding Company Ltd.	Loans granted by the Group	495	--
Nová Liboc a.s.	Receivables from the Group	6	--
	Services provided to the Group	2	--
	Purchases from the Group	2	--
	Loans granted by the Group	50	--
Other related parties		--	89

3.31. Subsequent events

In January 2007 ECM REAL ESTATE INVESTMENTS A.G. issued a bill of exchange as a guarantee for bank loan provided to CITY TOWER s.r.o. The guarantee totals TEUR 3,500.

In January 2007 the Group acquired 100% shares in company BAGNARE s.r.o. (changed the name to CITY DECO s.r.o.) and 50% shares in company IOVANITA s.r.o. (renamed to PALISÁDY s.r.o.). Remaining 50% shares are held by ECM Holdings Limited.

The Group intends to sell the shares in SPV Point a.s. (share deal).

MV Centrum a.s. and ECM City Empiria a.s. intend to merge with effective date of 1 January 2007.

The Group intends to issue bonds in total value up to MCZK 2,000 on 30 March 2007. The bonds will be redeemable on 30 March 2012. The interest rate will be Floating, 6M PRIBOR + Margin and interest will be paid semi-annually. Proceeds from emission will be used for financing of selected projects of the Group.

The Group entered in negotiations with ECE European City Estates A.G. to cancel future share purchase agreements on sale of shares of CITY TOWER s.r.o. Cancellation is expected to occur in the second half of 2007. In January 2007, the Group paid advances for the cancellation fee of TEUR 22,031.