AISI REALTY PUBLIC LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

AISI REALTY PUBLIC LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Antonios Achilleoudis
Lambros Anagnostopoulos
Ian Domaille
Franz Hoerhager
Paul Ensor
Antonios Kaffas
Besik Sikharulidze
Robert Sinclair

Registered Address

16, Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

Principal Places of Business

Prytys'ko-Mykilska 5
Kiev 04070,
Ukraine

16, Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

49-51 Sfintii Voievozi Street,
1st floor, apartment no 6
interior 006, district 1, Bucharest
Romania PC 010965

Company Secretary

Chanteclair Secretarial Ltd
16, Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

Nominated Adviser and Broker

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN, UK

Registrars

Computershare Investor Services PLC
The Pavillions
Bridgwater Road
Bristol BS99 7NH, UK

Cymain Registrars Limited
P.O. Box 25719
1311 Nicosia
Cyprus

Collaborating Banks

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

PJSC Erste Bank
6 Prorizna Street
Kiev 01034
Ukraine

Marfin Popular Bank Public Co. Ltd
P.O. Box 22032
1598 Nicosia, Cyprus

Bank of Cyprus Public Company Ltd
P.O. Box 24884
1398 Nicosia, Cyprus

UNIVERSAL Bank
54/19, Avtozavodska str., 04114
Kiev, Ukraine

Eurobank EFG Cyprus Ltd
41 Makarios Avenue, 5th floor,
1065 Nicosia, CYPRUS

Solicitors

AVELLUM PARTNERS
Leonardo Business Center
19-21 Bohdana Khmelnytskoho Str.11th floor
01030, Kyiv, Ukraine

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS, United Kingdom

Law Firm Pantelakis - Skaltsas
19 Lycavittou Str , Athens 10672
Greece

Georgiades & Pelides LLC
Kyriakou Matsi Avenue
Eagle House, 10th floor, PC 1082,
Agioi Omologites, Nicosia, Cyprus

Auditors

Baker Tilly Klitou
11 Bouboulinas Street,
1060, Nicosia, Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and the audited consolidated financial statements of AISI Realty Public Ltd (the Company) and its subsidiaries (the Group) for the year ended 31 December 2011.

Principal activities

The principal activity of the Group is to directly or indirectly invest in and/or manage real estate properties as well as real estate development projects in Central and South East Europe (the "Region").

Review of current position, future developments and significant risks

Following a first semester during which the Group had been under financial stress and the introduction of the new Investor, Narrowpeak Consultants Ltd, the current financial position of the Group as presented in the financial statements is considered stable. The Board of Directors expects that in the future the revenues of the Group will grow in line with the increase of the rental proceeds from Terminal Brovary, as well as from the implementation of its strategic plan to acquire income yielding properties in the Region.

The most significant risks faced by the Group and the steps taken to manage these risks are described in notes 4 and 27 of the consolidated financial statements.

Results and Dividends

The Group's results for the year are set out on page 11. The Board of Directors does not recommend the payment of a dividend.

Share Capital

Authorized share capital

Within the reporting year the Company has effected:

a) a share capital increase to 1.400.000.000 ordinary shares of €0,01.
b) a share capital restructuring, whereas 100 old ordinary shares of nominal value €0,01 were exchanged with 1 new ordinary share of €0,01 nominal value and one deferred share of €0,99 nominal value. The deferred shares have no rights whatsoever.

Pursuant to this capital reorganization in August 2011 the Company's authorized share capital amounts to 989.869.935 (new) ordinary shares of €0,01 nominal value and 4.142.727 deferred shares of €0,99 nominal value and 1 (old) ordinary share of €0,92 nominal value.

Issued share capital

As of 31 December 2010 the total amount of outstanding ordinary shares was 414.272.792 shares.

Within the reporting year the Company has effected:

a) a share capital restructuring, whereas 100 old ordinary shares have been exchanged with one new ordinary share of €0,01 nominal value and one deferred share of €0,99 nominal value each. Pursuant to this capital reorganization in August 2011 the Company had 4.142.727 ordinary shares issued together with 4.142.727 deferred shares and 1 ordinary share of nominal value of €0,92.
b) the issuance of a convertible bond to Narrowpeak Consultants Ltd., on 08/08/2011, which was converted to 5.135.000 ordinary shares on 20 December 2011 at the price of GBP 0,95 per share.

As of 31 December 2011 the total amount of outstanding ordinary shares is 9.277.727. At the same time the issued share capital of the Company includes an amount of 4.142.727 deferred shares with no rights and 1 (old) ordinary share of nominal value of €0,92. Both the deferred shares and the (Old) ordinary share of €0,92 will be cancelled in the next Shareholders' meeting.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors

The members of the Company's Board of Directors as at 31 December 2011 and at the date of this report are presented on page 3. On 1 July 2011 Mr. Roland Peeters was appointed to the Board of Directors. On 8 August 2011 Mr. Roland Peeters resigned and Mr. Lambros Anagnostopoulos, Mr. Antonios Kaffas, Mr. Robert Sinclair and Mr. Ian Domaille were appointed to the Board of Directors on the same date.

In accordance with the Company's Articles of Association Mr. Antonios Achilleoudis retires by rotation at the Annual General Meeting and being eligible offers himself for re-election. Mr. Lambros Anagnostopoulos, Mr. Antonios Kaffas, Mr. Robert Sinclair, and Mr. Ian Domaille who were appointed as directors on 8 August 2011, resign at the Annual General Meeting and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities of the Board of Directors. As far as the Board's remuneration is concerned, the Board formed a Remuneration Committee on 19/10/2011 to present a new remuneration scheme in early 2012.

Audit Committee

On 19/10/2011 the Board of Directors introduced an Audit Committee whose members as at 31 December 2011 are: Ian Domaille and Antonios Kaffas. The remuneration of the committee will be decided by the Board of Directors within 2012.

Remuneration Committee

On 19/10/2011 the Board of Directors introduced a Remuneration Committee whose members as at 31 December 2011 are: Antonios Achilleoudis and Ian Domaille. The remuneration of the committee will be decided by the Board of Directors within 2012.

Appointment of CEO- CFO

On 8/8/2011 the Board of Directors appointed a new CEO and a new CFO for the Group, namely Mr. Lambros Anagnostopoulos and Mr. Constantinos Bitros respectively, who continue in office as at the date of this report.

Options currently held by Board Members

Following the share capital restructuring of the Company the existing option schemes are as follows:

Director's Option scheme, 25/7/2007

Under the said scheme each of the directors serving at the time, which is still a Director of the Company is entitled to subscribe for 2.631 ordinary shares exercisable as set out below:

	Exercise Price	Number of
	US$	Shares
Exercisable till 1 August 2017	57	1.754
Exercisable till 1 August 2017	83	877

Director Franz M. Hoerhager Option scheme, 12/10/2007

Under the said scheme, director Franz M. Hoerhager is entitled to subscribe for 1.829 ordinary shares exercisable as set out below:

	Exercise Price	Number of
	GBP	Shares
Exercisable till 1 August 2017	40	1.219
Exercisable till 1 August 2017	50	610

The above option schemes were approved, by the shareholders of the Company in General Meeting on 31 March 2008. As at 31 December 2011 the Company has reversed the reserved equity (2009) for the share options in the statement of financial position as at 31 December 2011 in the amount of US$ 68.390 as the options are well out of the money.

REPORT OF THE BOARD OF DIRECTORS

Warrants issued

On 8/8/2011, the Company issued 273.000 Class A Warrants to AISI Realty Capital LLC, Investment Manager of the Group until 1/7/2011. Each Class A Warrant entitles the holder to receive one ordinary share. The Class A Warrants may be exercised at any time until the third anniversary of the issuance date of the Class A Warrant Instrument. The exercise price of the Class A Warrant will be the nominal value per ordinary share as at the date of exercise.

On 8/8/2011 the Company issued 1.091.000 Class B Warrants to Narrowpeak Consultants Ltd and is about to issue 273.000 Class B Warrants to Besik Sikharulidze and Nugzar Kachukhashvili. Each Class B Warrant entitles the holder to receive one ordinary share. The Class B Warrants may be exercised at any time until the third anniversary of the issuance date of the Class B Warrant Instrument. The exercise price of the Class B Warrants will be the nominal value per ordinary share as at the date of exercise. The Class B Warrant Instrument have anti-dilution protection so that, in the event of further share issuances by the Company, the number of ordinary shares to which the Class B Warrant holder is entitled will be adjusted so that he receives the same percentage of the issued share capital of the Company (as nearly as practicable), as would have been the case had the issuances not occurred. This anti-dilution protection will lapse on the earlier of (i) the expiration of the Class B Warrants; and (ii) capital increase(s) undertaken by the Company generating cumulative gross proceeds in excess of US$100.000.000.

Events after the end of the reporting period

Any significant events that occurred after the end of the reporting period are described in note 28 to the financial statements.

Independent auditors

The independent Auditors, Baker Tilly Klitou and Partners Limited, have expressed their willingness to continue in office.

The Audit Committee will be proposing to the Board the appointment of the Auditor for 2012, authorizing the CEO and the CFO to negotiate their remuneration so as to present a relevant proposal to the Annual General Meeting of the Shareholders of the Company.

By order of the Board of Directors,

Chanteclair Secretarial Limited
Secretary

Nicosia, 26 March 2012

CHAIRMAN'S STATEMENT

2011 was a pivotal year for Aisi Realty Public Ltd, due to the transaction with SECURE Management completed on 8 August. Under the terms of this transaction, Narrowpeak Consultants injected US$8m into Aisi through a convertible note, which it duly converted into equity in the Company in December leaving it with a 55% stake in the Company. The funds were used to pay off current liabilities, including a settlement of the Management contract, which was ended as a part of the deal, effectively internalising the management of the Company.

This transaction was the culmination of months of hard work on due diligence and negotiation between Aisi and SECURE, which the Board pursued aggressively because it was clear from the outset that this approach was being made in a manner and on terms that were fair to shareholders and management alike, and would secure the future of the Company, with the financial and management support that it desperately needed. The Board, most of whose pre-August 2011 members have waived their fees for the past few years, worked tirelessly on this transaction.

Six months after the deal was done in August, Aisi is transformed. The Company's finances have stabilised, and its Board and management have been strengthened considerably. Its property assets in Ukraine are intact, and it is in a better position to exploit its valuable assets - a portfolio of property and considerable operating knowledge in one of the fastest growing economies in Europe.

Paul Ensor
Chairman

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

We, the Members of the Board of Directors and the person responsible for the preparation of the consolidated financial statements of AISI REALTY PUBLIC LIMITED for the year ended 31 December 2011, based on our opinion, which is a result of diligent and scrupulous work, declare that the elements written in the consolidated financial statements are true and complete.

Board of Directors members:

Antonios Achilleoudis	
Lambros Anagnostopoulos	
Ian Domaille	
Paul Ensor	
Franz M. Hoerhager	
Antonios Kaffas	
Besik Sikharulidze	
Robert Sinclair	

Person responsible for the preparation of the consolidated financial statements for the year ended 31 December 2011:

Constantinos Bitros	

INDEPENDENT AUDITORS' REPORT

To the Members of AISI REALTY PUBLIC Ltd

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Aisi Realty Public Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap113.

Emphasis of matters

We draw attention to Notes 3, 4 and 12 to the consolidated financial statements, which describe the following matters:

(a) Going concern

We have considered the adequacy of the disclosure in Note 3 to the consolidated financial statements concerning the Group's ability to continue as a going concern. The Group has incurred a loss of US$1.193.936 for the year ended 31 December 2011 and at that date the Group's current liabilities exceed its current assets by US$15.339.757. In addition, the Group is in breach of income covenants relating to the loan from EBRD of US$15.813.857. As a result, this loan is repayable on demand and has been classified in current liabilities.

These conditions, along with other matters explained in Note 3 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors have prepared these consolidated financial statements on the going concern basis, which is dependent on the continuing financial support of the Group by its bankers and its shareholders in the form of a new capital increase of US$4.000.000 at the discretion of the Board, which has already been authorised by the shareholders in an Extraordinary General Meeting on 17 July 2011.

(b) Valuation of investment properties

The valuation of the investment properties as indicated in Notes 3 and 12 to the consolidated financial statements were prepared by the independent Chartered Surveyors, P. Danos & Associates SA in alliance with BNP Paribas Real Estate (BNP) based on various assumptions and limiting conditions. However, in the event that any of these assumptions do not materialize or the limiting conditions are realized then the valuations of BNP should be revised accordingly.

As stated in Note 3, a number of the land leases are held for relatively short terms and place an obligation upon the lessee to complete development by a prescribed date. It is important to note that the rights to complete a development may be lost or at least delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease. In addition, in the event that a development has not commenced upon the expiry of a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with the designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City Authorities with grounds for rescinding or non-renewal of the ground lease. However the management believes that the possibility of such action is remote and was made only under limited circumstances in the past.

Management believes that rescinding or non-renewal of the ground lease is remote if a project is on the final stage of development or on the operating cycle. In undertaking the valuations reported herein, BNP have made the assumption that no such circumstances will arise to permit the City Authorities to rescind the land lease or not to grant a renewal.

Our opinion is not qualified in respect of these matters.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Christodoulos Loulloupis
Certified Public Accountant and Registered Auditor
for and on behalf of
Baker Tilly Klitou and Partners Limited
Certified Public Accountants and Registered Auditors
Nicosia, 26 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Note	2011 US$	2010 US$
Valuation losses from investment property	7	(628.720)	(19.965.122)
Operational income	7	526.520	-
		(102.200)	**(19.965.122)**
Administration expenses	8	(5.445.162)	(5.978.087)
Other income, net	10	6.348.354	587.025
Operating profit/(loss)		**800.992**	**(25.356.184)**
Finance income/(costs), net	9	(1.644.991)	115.527
Profit/(loss) before tax		**(843.999)**	**(25.240.657)**
Income tax expense	11	(249.715)	-
Profit/(loss) for the year		**(1.093.714)**	**(25.240.657)**
Other comprehensive income			
Exchange difference on translation of foreign operations	17	(100.222)	22.430
Total comprehensive income for the year		**(1.193.936)**	**(25.218.227)**
Profit/(loss) attributable to:			
Owners of the parent		(1.084.023)	(24.934.873)
Non-controlling interests		(9.691)	(305.784)
		(1.093.714)	**(25.240.657)**
Total comprehensive income attributable to:			
Owners of the parent		(1.141.331)	(24.933.034)
Non controlling interests		(52.605)	(285.193)
		(1.193.936)	**(25.218.227)**
Earnings/(losses) per share ($ cent per share):	6		
Basic loss for the year attributable to ordinary equity owners of the parent		(0,25)	(6,02)
Diluted loss for the year attributable to ordinary equity owners of the parent		(0,25)	(6,02)

The notes on pages 15 to 53 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2011

	Note	2011 US$	2010 US$
ASSETS			
Non-current assets			
Investment properties	12b	35.937.000	33.631.000
Investment property under construction	12a	8.100.000	10.300.000
Prepayments made for investments	12c	5.000.000	6.000.000
Long-term VAT recoverable, net	14	-	2.926.939
Property, plant and equipment		21.788	54.783
		49.058.788	**52.912.722**
Current assets			
Prepayments and other current assets	13	5.005.135	3.487.598
Cash and cash equivalents	15	754.640	291.053
		5.759.775	**3.778.651**
Total assets		**54.818.563**	**56.691.373**
EQUITY AND LIABILITIES			
Issued share capital	16	5.507.276	5.431.918
Share premium		102.447.925	94.523.283
Advances from shareholders		-	223.118
Other reserves		-	68.390
Foreign currency translation reserve	17	(1.230.671)	(1.068.153)
Accumulated losses		(75.301.995)	(74.217.972)
Equity attributable to equity holders of the parent		31.422.535	24.960.584
Non controlling interests	18	1.083.398	1.030.793
Total equity		**32.505.933**	**25.991.377**
Non-current liabilities			
Interest bearing borrowings	19	-	15.529.412
Finance lease liabilities	23	652.397	591.245
Trade and other payables	20	364.032	642.374
Deposits from tenants	21	196.669	30.704
		1.213.098	**16.793.735**
Current liabilities			
Interest bearing borrowings	19	15.813.857	41.237
Trade and other payables	20	4.094.357	13.158.570
Taxes payable	22	815.076	586.575
Provisions	22	348.734	74.910
Finance lease liabilities	23	27.508	44.969
		21.099.532	**13.906.261**
Total liabilities		**22.312.630**	**30.699.996**
Total equity and liabilities		**54.818.563**	**56.691.373**
Net Asset Value (NAV) $ per share:	6		
Basic NAV attributable to equity holders of the parent		3,39	6,03
Diluted NAV attributable to equity holders of the parent		2,88	6,03

On 26 March 2012 the Board of Directors of AISI REALTY PUBLIC LTD authorised these financial statements for issue.

Lambros Anagnostopoulos	Paul Ensor	Constantinos Bitros
Director & Chief Executive Officer	Director & Chairman of the Board	Chief Financial Officer

The notes on pages 15 to 53 form an integral part of these consolidated financial statements

AISI REALTY PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Accumulated losses, net of non-controlling interest	Other reserves	Advances for issue of shares	Foreign currency translation reserve	Total	Non controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Balance – 1 January 2010	**5.431.918**	**94.523.283**	**(49.283.099)**	**68.390**	**-**	**(1.069.992)**	**49.670.500**	**1.315.986**	**50.986.486**
Loss for the period	-	-	(24.934.873)	-	-	-	**(24.934.873)**	(305.784)	**(25.240.657)**
Advances from shareholders	-	-	-	-	223.118	-	**223.118**	-	**223.118**
Foreign currency translation reserve	-	-	-	-	-	1.839	**1.839**	20.591	**22.430**
Balance – 31 December 2010/ 1 January 2011	**5.431.918**	**94.523.283**	**(74.217.972)**	**68.390**	**223.118**	**(1.068.153)**	**24.960.584**	**1.030.793**	**25.991.377**
Profit /(Loss) for the period	-	-	(1.084.023)	-	-	-	**(1.084.023)**	(9.691)	**(1.093.714)**
Issue of share capital	75.358	7.924.642	-	-	-	-	**8.000.000**	-	**8.000.000**
Return of advances for issues of shares	-	-	-	-	(223.118)	-	**(223.118)**	-	**(223.118)**
Reverse of other reserve	-	-	-	(68.390)	-	-	**(68.390)**	-	**(68.390)**
Foreign currency translation reserve	-	-	-	-	-	(162.518)	**(162.518)**	62.296	**(100.222)**
Balance - 31 December 2011	**5.507.276**	**102.447.925**	**(75.301.995)**	**-**	**-**	**(1.230.671)**	**31.422.535**	**1.083.398**	**32.505.933**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable on account of the shareholders.

The notes on pages 15 to 53 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Note	2011 US$	2010 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax and non controlling interests		**(843.999)**	**(25.240.657)**
Adjustments for:			
Loss on revaluation of investment property	7	628.720	19.965.122
Other non-cash movements in investment property		1.168.306	(3.541.458)
Prepayments for investments impairment loss/(reversal)	10	1.000.000	(780.267)
Impairment loss/(reversal) for VAT recoverable	10	417.645	(1.050.843)
Prepayments and other current assets impairment loss	10	316.592	111.899
Trade and other payables written off	10	(8.628.135)	-
Depreciation of property, plant and equipment		32.875	81.183
Interest income	9	(8.164)	(84.694)
Interest expense	9	1.402.333	1.150.869
Provisions	22	273.824	-
Other reserves		(68.390)	-
Write off advances		(223.118)	
Effect of foreign exchange difference	9	117.484	(263.388)
Cash flows used in operations before working capital changes		**(4.414.027)**	**(9.652.234)**
Decrease in prepayments and other current assets	13	256.371	(1.311.790)
Change in trade and other payables	20	(251.748)	4.637.844
Changes in other taxes and duties	22	73.619	94.817
Increase in deposits from tenants	21	165.963	30.704
Income tax paid		(97.162)	-
		147.043	**3.451.575**
Net cash flows used in operating activities		**(4.266.984)**	**(6.200.659)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures on investment property	12	(889.947)	(1.946.719)
Decrease in payables for construction	20	(573.199)	(156.212)
Change in VAT recoverable		(714.704)	(871.735)
Increase/(Decrease) in financial lease liabilities	23	43.691	(26.710)
Changes in property, plant and equipment		120	(2.498)
Decrease in prepayments for investments	12	-	4.640.494
Interest received	9	8.164	84.694
Net cash flows from (used in) investing activities		**(2.125.875)**	**1.721.314**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital / shareholders advances	16	8.000.000	223.118
Interest paid		(1.142.794)	(470.588)
Proceeds from other borrowings		-	12
Net cash flows from (used in) financing activities		**6.857.206**	**(247.458)**
Effect of foreign exchange rates on cash		(760)	(2.801)
Net increase/(decrease) in cash at banks	15	**463.587**	**(4.729.604)**
Cash:			
At beginning of the year		291.053	5.020.657
At end of the year		**754.640**	**291.053**

The notes on pages 15 to 53 form an integral part of these consolidated financial statements

1. General Information

Country of incorporation

AISI Realty Public Ltd (the "Company") was incorporated in Cyprus on 23 June 2005 and is a public limited liability company, listed on the London Stock Exchange (AIM). Its registered office is at Kyriakou Matsi 16, Eagle House, 10th floor, Agioi Omologites, 1082 Nicosia, Cyprus.

Principal activities

The principal activities of the Group are directly or indirectly to invest in and/or manage real estate properties as well as real estate development projects in Central and South East Europe (the "Region"). These include the acquisition, development, operation and selling of property assets, in major population centres in the Region.

The Group maintains offices in Kiev, Ukraine and Nicosia, Cyprus, while it has an affiliate in Bucharest, Romania.

As at the reporting date, the Group has 19 Full Time Equivalent (FTEs) employed persons, including the CEO and the CFO (31 December 2010- 28).

2. Adoption of new and revised Standards and Interpretations

The Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB, which are relevant to its operations and are effective for accounting periods commencing on 1 January 2011.

The accounting policies adopted for the preparation of the Consolidated Financial Statements are consistent with those followed for the preparation of the annual financial statements for the year ended in December 2010, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2011, which did not have any material impact on the Group's financial statements:

- IAS 24 "Related Party Disclosures", annual periods on or after 1 January 2011. The Standard has been amended in order to simplify the definition of related parties and remove inconsistencies and provides partial exemption for government related entities. The adoption of this amendment did not have any impact on the financial position or performance of the Group
- IFRIC 14 "IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their interaction", annual periods on or after 1 January 2011. November 2009 amendment with respect to voluntary prepaid contributions. The interactions did not have any effect on the financial position or performance of the Group
- IFRS 1 "First time adoption of IFRS's", annual periods on or After 1 January 2011
- IFRS 7 "Financial Instruments: Disclosures", annual periods on or after 1 January 2011
- IAS 1 "Presentation of Financial Statements", annual periods on or after 1 January 2011
- IAS 34 "Interim Financial reporting", Significant events and transactions, annual periods on or after 1 January 2011
- IFRIC 13 "Customer Loyalty programmes", annual periods on or after 1 January 2011

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

At the date of approval of these financial statements, standards and interpretations were issued by the IASB which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

2. Adoption of new and revised Standards and Interpretations (continued)

(i) Adopted by the European Union

Amendments

- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2011)

(ii) Not adopted by the European Union

New standards

- IFRS 9 "Financial Instruments" (and subsequently amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015)
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013")
- IFRS 12 "Disclosures of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013)
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013)

Amendments

- Amendments to IAS 12 "Income Taxes" on the "Deferred Tax: Recovery of Underlying Assets" (effective for annual periods beginning on or after 1 January 2012)
- Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" on the "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" (effective for annual periods beginning on or after 1 July 2011)
- Amendments to IAS 1 "Presentation of Financial Statements" on the "Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" on the "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 "Financial Instruments: Presentation" on the "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014)

New IFRICs

- IFRIC Interpretation 20: "Shipping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013)

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the consolidated financial statements of the Group.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and investment property under construction to fair value.

3.2 Basis of preparation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Items included in the Group's financial statements are measured applying the currency of the primary economic environment in which the entities operate ("the functional currency"). The national currency of Ukraine, the Ukrainian Hryvnia, is the functional currency for all the Group's entities, except for the parent company and its subsidiaries Aisi Capital Ltd and Aisi Logistics Ltd for which the United States Dollar is the functional currency.

Ukrainian statutory accounting principles and procedures differ from those generally accepted under IFRS. Accordingly, the consolidated financial information, which has been prepared from the Ukrainian statutory accounting records for the entities of the Group domiciled in Ukraine, reflects adjustments necessary for such consolidated financial information to be presented in accordance with IFRS.

3.3 Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Group incurred a loss of US$ 1.193.936 for the year ended 31 December 2011 and as at that date its current liabilities exceed its current assets by US$ 15.339.757. In addition, the Group is in breach of an income covenant relating to the loan from EBRD of US$15.813.857. As a result, this loan may be repayable on demand and has been classified as current liability.

The directors have prepared these consolidated financial statements on the going concern basis, which is dependent on the continuing financial support of the Group by its shareholders and its bankers in the form of a new capital increase of US$4.000.000 at the discretion of the Board, which has already been authorised by the shareholders in an Extraordinary General Meeting of 17 July 2011.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of all the Group companies are prepared using uniform accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

3. Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

3.4.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

The Group’s consolidated financial statements comprise the financial statements of the parent company, Aisi Realty Public Ltd and the financial statements of the following subsidiaries:

Name	Country of incorporation	Related Asset	Holding % as at 31.12.2011	Holding % as at 31.12.2010
Aisi Capital Limited	Cyprus		100	100
Aisi Logistics Limited	Cyprus	Brovary Logistics Park	100	100
LLC Aisi Brovary	Ukraine	Brovary Logistics Park	100	100
LLC Terminal Brovary	Ukraine	Brovary Logistics Park	100	100
LLC Aisi Ukraine	Ukraine	Kiyanovskiy Residence	100	100
LLC Trade Center	Ukraine	Kiyanovskiy Residence	100	100
LLC Almaz-pres-Ukrayina	Ukraine	Tsymlianskiy Residence	55	55
LLC Aisi Bela	Ukraine	Bela Logistic Park	100	100
LLC Mirelium Investments	Ukraine	Zaporozyia Retail Center	100	100
LLC Interterminal	Ukraine	Zaporozyia Retail Center	100	100
LLC Aisi Outdoor	Ukraine		100	100
LLC Aisi Vida	Ukraine		100	100
LLC Aisi Val	Ukraine		100	100
LLC Aisi Ilvo	Ukraine		100	100
LLC Aisi Consta	Ukraine		100	100
LLC Aisi Roslav	Ukraine		100	100
LLC Aisi Donetsk	Ukraine		100	100
LLC Krius	Ukraine		0	100
LLC Ukr-Contract	Ukraine		0	100
LLC Retail Development Balabino	Ukraine		100	100

During the year, the Group sold two of its subsidiaries LLC KRIUS and LLC UKR-Contract for a consideration of US$125 each.

3. Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

3.4.2 Foreign currency translation

The management believes that the US Dollar reporting better reflects the economic substance of the underlying events and circumstances relevant to the Group itself. Consequently the Group's management has determined that the Group's functional currency is the US Dollar.

As management records the consolidated financial information of the entities domiciled in Ukraine in Hryvnia, in translating financial information of the entities domiciled in Ukraine into US Dollars for incorporation in the consolidated financial information, the Group follows a translation policy in accordance with International Accounting Standard No. 21, "The Effects of Changes in Foreign Exchange Rates", and the following procedures are performed:

- All assets and liabilities are translated at closing rate;
- Income and expense items are translated using exchange rates at the dates of the transactions, or where this is not practicable the average rate has been used;
- All resulting exchange differences are recognized as a separate component of equity;
- When a foreign operation is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of that entity, the exchange differences deferred in equity are reclassified to the consolidated statement of comprehensive income as part of the gain or loss on sale.

The relevant exchange rates of the Central Bank of Ukraine used in translating the financial information of the entities domiciled in Ukraine into US Dollars are as follows:

	Average		31 December	
Currency	**2011**	**2010**	**2011**	**2010**
US$	7,9677	7,9353	7,9898	7,9617

The Group's financial statements consolidate the financial statements of the Company and all its subsidiary undertakings for the year ended 31 December 2011.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial information of subsidiaries is included in the consolidated financial information from the date that control effectively commences until the date that control effectively ceases. Investments in subsidiaries are accounted for under the acquisition method.

3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard; and
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date.

3. Significant accounting policies (continued)

3.5 Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the statement of comprehensive income.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in the statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the statement of comprehensive income where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. Significant accounting policies (continued)

3.7 Non-current assets held for sale

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.8 Operating segments analysis

The Group has one material reportable segment on the basis that in all material aspects all of its revenue is to be generated from investment properties located in Ukraine; accordingly no segment analysis is presented.

3.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. It is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Revenue earned by the Group is recognized on the following bases:

3.9.1 Income from investing activities

Income from investing activities includes profit received from disposal of investments in the Company's subsidiaries and associates and income accrued on advances for investments outstanding as at the year end.

3.9.2 Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3.9.3 Interest income

Interest income is recognized on a time-proportion (accrual) basis, using the effective interest rate method.

3.9.4 Rental income

Rental income arising from operating leases on investment property is recognized on an accrual basis in accordance with substance of relevant agreements.

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred as interest costs which are calculated using the effective interest rate method, net result from transactions with securities, foreign exchange gains and losses, and bank charges and commission.

3.11 Other property expenses

Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the statement of comprehensive income. Costs incurred in the improvement of the assets which, in the opinion of the directors, are not of a capital nature are written off to the statement of comprehensive income as incurred.

3. Significant accounting policies (continued)

3.12 Taxation

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

3.12.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.12.2 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognized in the statement of comprehensive income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

All the subsidiaries of the Group are incorporated in Ukraine, except for Aisi Capital Limited, Aisi Logistics Limited and the parent company, which are incorporated in Cyprus. The Group’s management and control is exercised in Cyprus. There is no withholding tax or special defence contribution on the dividend income to be received from the Ukrainian subsidiaries as provided for by the current tax treaty.

The Group’s management does not intend to dispose of any asset. However, in the event that a decision is taken in the future to dispose of any asset it is the Group’s intention to dispose of shares in subsidiaries rather than assets. The corporate income tax exposure on disposal of development companies in Ukraine is mitigated by the fact that the sale would represent a disposal of the securities by a non-resident shareholder and therefore would be exempt from tax. The Group is therefore in a position to control the reversal of any temporary differences and as such, no deferred tax liability has been provided for in the financial statements.

3.13 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates are as follows:

3. Significant accounting policies (continued)

3.13 Property, plant and equipment (continued)

	%
Leasehold	20
Citylights	20
Software and hardware	33,33
Motor vehicles	25
Furniture, fixtures and office equipment	20

No depreciation is provided on land.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the statement of comprehensive income of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized the statement of comprehensive income.

3.14 Share-based compensation

The Group had in the past and intends in the future to operate a number of equity-settled, share-based compensation plans, under which the Company receives services from Directors and/or employees as consideration for equity instruments (options) of the Group. The fair value of the Director and employee cost related to services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each financial position date, the Group revises its estimates on the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

3.15 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. Significant accounting policies (continued)

3.15 Leased assets (continued)

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below).

Lease payments are analyzed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

3.16 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment loss annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.17 Investment properties

Investment property, principally comprising freehold and leasehold land and investment properties held for future development, is held for long term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property and investment property under construction are carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the statement of comprehensive income and are included in other operating income.

A number of the land leases are held for relatively short terms and place an obligation upon the lessee to complete development by a prescribed date. It is important to note that the rights to complete a development may be lost or at least delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease.

3. Significant accounting policies (continued)

3.17 Investment properties (continued)

In addition, in the event that a development has not commenced upon the expiry of a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with the designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City Authorities with grounds for rescinding or non-renewal of the ground lease. However the management believes that the possibility of such action is remote and was made only under limited circumstances in the past.

Management believes that rescinding or non-renewal of the ground lease is remote if a project is on the final stage of development or on the operating cycle. In undertaking the valuations reported herein, BNP have made the assumption that no such circumstances will arise to permit the City Authorities to rescind the land lease or not to grant a renewal.

Land held under operating lease is classified and accounted for as investment property when the rest of definition is met. The operating lease is accounted for as if were a finance lease.

Investment property under development or construction initially is measured at cost, including related transaction costs.

The property is classified in accordance with the intention of the management for its future use. Intention to use is determined by the Board of Directors after reviewing market conditions, profitability of the projects, ability to finance the project and obtaining required construction permits.

The time point, when the intention of the management is finalized is the date of start of construction. At the moment of start of construction, freehold land, leasehold land and investment properties held for a future redevelopment are reclassified into investment property under development or inventory in accordance to the final decision of management.

3.17.1 Initial measurement and recognition

Investment property is measured initially at cost, including related transaction costs. Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, or the commencement of an operating lease to third party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property under construction until construction or development is complete. At that time, it is reclassified and subsequently accounted for as investment property.

3.17.2 Subsequent measurement

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

3. Significant accounting policies (continued)

3.17 Investment properties (continued)

If a valuation obtained for an investment property held under a lease is net of all payments expected to be made, any related liabilities/assets recognized separately in the statement of financial position are added back/reduced to arrive at the carrying value of the investment property for accounting purposes.

Subsequent expenditure is charged to the assets' carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

3.17.3 Basis of valuation

The fair values reflect market conditions at the financial position date. These valuations are reviewed periodically by chartered surveyors (hereafter "appraisers"). In 2010 DTZ Kiev B.V. has performed all the valuation surveys. Due to the fact that in 2011 DTZ Kiev BV has undertaken various contracts with the Group for the provision of services related with the renting and facility management of Terminal Brovary warehouse, Management decided, in order to avoid potential conflicts of interest, to assign the surveys to P.Danos Associates SA in alliance with BNP Paribas Real Estate (hereafter "appraisers").

The valuations have been carried out by the appraisers on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Standards, 7th Edition (the "Red Book").

"Market Value", is defined as: "The estimated amount for which a property should exchange 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".

In expressing opinions on Market Value, in certain cases the appraisers have estimated net annual rentals/income from sale. These are assessed on the assumption that they are the best rent/sale prices at which a new letting/sale of an interest in property would have been completed at the date of valuation assuming: a willing landlord/buyer; that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the letting/sale; that the state of the market, levels of value and other circumstances were, on any earlier assumed date of entering into an agreement for lease/sale, the same as on the valuation date; that no account is taken of any additional bid by a prospective tenant/buyer with a special interest; that the principal deal conditions assumed to apply are the same as in the market at the time of valuation; that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

A number of properties are held by way of ground leasehold interests granted by the City Authorities. The ground rental payments of such interests may be reviewed on an annual basis, in either an upwards or downwards direction, by reference to an established formula. Within the terms of the lease, there is a right to extend the term of the lease upon expiry in line with the existing terms and conditions thereof. In arriving at opinions of Market Value, the appraisers assumed that the respective ground leases are capable of extension in accordance with the terms of each lease. In addition, given that such interests are not assignable, it was assumed that each leasehold interest is held by way of a special purpose vehicle ("SPV"), and that the shares in the respective SPVs are transferable.

With regard to each of the properties considered, in those instances where project documentation has been agreed with the respective local authorities, opinions of the appraisers of value have been based on such agreements.

In those instances where the properties are held in part ownership, the valuations assume that these interests are saleable in the open market without any restriction from the co owner and that there are no encumbrances within the share agreements which would impact the saleability of the properties concerned.

The valuation is exclusive of VAT and no allowances have been made for any expenses of realisation or for taxation which might arise in the event of a disposal of any property.

3. Significant accounting policies (continued)

3.17 Investment properties (continued)

In some instances the appraisers constructed a Discounted Cash Flow (DCF) model. DCF analysis is a financial modeling technique based on explicit assumptions regarding the prospective income and expenses of a property or business. The analysis is a forecast of receipts and disbursements during the period concerned. The forecast is based on the assessment of market prices for comparable premises, build rates, cost levels etc from the point of view of a probable developer.

To these projected cash flows, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. In this case, it is a development property and thus estimates of capital outlays, development costs, and anticipated sales income are used to produce net cash flows that are then discounted over the projected development and marketing periods. The Net Present Value (NPV) of such cash flows could represent what someone might be willing to pay for the site and is therefore an indicator of market value. All the payments are projected in nominal US dollar amounts and thus incorporate relevant inflation measures.

Valuation Approach
In addition to the above general valuation methodology, the appraisers have taken into account in arriving at Market Value the following:

Pre Development
In those instances where the nature of the 'Project' has been defined, it was assumed that the subject property will be developed in accordance with this blueprint. The final outcome of the development of the property is determined by the Board of Directors decision, which is based on existing market conditions, profitability of the project, ability to finance the project and obtaining required construction permits.

Development
In terms of construction costs, the budgeted costs have been taken into account in considering opinions of value. However, the appraisers have also had regard to current construction rates passing in the market which a prospective purchaser may deem appropriate to adopt in constructing each individual scheme. Although in some instances the appraisers have adopted the budgeted costs provided, in some cases the appraisers' own opinions of costs were used.

Post Development
Rental values have been assessed as at the date of valuation but having regard to the existing occupational markets taking into account the likely supply and demand dynamics during the anticipated development period. The standard letting fees were assumed within the valuations. In arriving at their estimates of gross development value ("GDV"), the appraisers have capitalized their opinion of net operating income, having deducted any anticipated non-recoverable expenses, such as land payments, and permanent void allowance, which has then been capitalized into perpetuity.

The capitalization rates adopted in arriving at the opinions of GDV reflect the appraisers' opinions of the rates at which the properties could be sold as at the date of valuation.

In terms of residential developments, the sales prices per sq. m. again reflect current market conditions and represent those levels the appraisers consider to be achievable at present. It was assumed that there are no irrecoverable operating expenses and that all costs will be recovered from the occupiers/owners by way of a service charge.

The valuations take into account the requirement to pay ground rental payments and these are assumed not to be recoverable from the occupiers. In terms of ground rent payments, the appraisers have assessed these on the basis of information available, and if not available they have calculated these payments based on current legislation defining the basis of these assessments. Property tax is not presently payable in Ukraine.

3. Significant accounting policies (continued)

3.18 Non-current liabilities

Non-current liabilities represent amounts that are due in more than twelve months from the reporting date.

3.19 Project/Special Purpose Vehicle Related Transaction Expenses

Expenses incurred by the Group for acquiring a subsidiary or associated company and are directly attributable to such acquisition are recognized in the statement of comprehensive income.

3.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Financial liabilities and equity instruments

3.21.1 Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.21.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.21.3 Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

3.21.3.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (continued)

3.21 Financial liabilities and equity instruments (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in section 2.20.8.

<u>3.21.3.2 Other financial liabilities</u>

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

<u>3.21.3.3 De-recognition of financial liabilities</u>

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.22 Value added tax

VAT is levied at the following rates:

- 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine.
- 15% on Cyprus domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Cyprus.

A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT credit arise on the earlier of the date of payment to the supplier or the date goods are received. The part of VAT credit expected to be recovered in the long-term prospective is classified as non-current being discounted for reflecting principal market assumptions as to projects realization. Initial loss on discounting VAT credit, non-current was recognized as part of finance costs.

3.23 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

3. Significant accounting policies (continued)

3.24 Earnings and Net Assets Value per share

The Group presents basic and diluted earnings per share (EPS) and net asset value per share (NAV) for its ordinary shares.

Basic EPS amounts are calculated by dividing net profit for the year, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Basic NAV amounts are calculated by dividing net asset value as at year end, attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the year.

Diluted EPS is calculated by dividing net profit for the year, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares. Diluted NAV is calculated by dividing net asset value as at year end, attributable to ordinary equity holders of the parent with the number of ordinary shares outstanding at year end plus the number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

3.25 Comparative amounts

Where necessary, comparative amounts have been reclassified to conform to changes in presentation adopted in the current year.

4. Financial risk management

4.1 Financial risk factors

The Group is exposed to country risk, real estate holding and development associated risks, market price risk, interest rate risk, credit risk, liquidity risk, currency risk, other market price risk, operational risk, compliance risk, litigation risk, reputation risk, capital risk management and other risks arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below. Financial Risk Management is also described in note 27 of the financial statements.

4.1.1 Operating Country Risks

The Group is exposed to country risk, stemming from the political and economic environment of every country in which it operates.

4.1.1.1 Ukraine

In recent years, the Ukrainian economy has been characterised by a number of features that contribute to economic instability, including a relatively weak banking system providing limited liquidity to Ukrainian enterprises, significant capital outflows, and low wages for a large portion of the Ukrainian population.

The implementation of reforms has been partially impeded by lack of political consensus, controversies over privatisation, the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors, the limited extent of cooperation with international financial institutions and non stable taxing environment.

Although Ukraine has made significant progress in increasing its gross domestic product, decreasing inflation, stabilising its currency, increasing real wages and improving its trade balance, these gains may not be sustainable over the longer term and may be reversed unless Ukraine undertakes certain important structural reforms in the near future while continuing to exercise restrictive monetary policies.

Ukraine's internal debt market remains illiquid and underdeveloped as compared to markets in most western countries. Unless the international capital markets or syndicated loan markets open up to Ukraine, the Government will have to continue to rely to a significant extent on official or multilateral borrowings to finance part of the budget deficit, fund its payment obligations under domestic and international borrowings and support foreign exchange reserves. These borrowings may be conditioned on Ukraine satisfying certain requirements, which may include, among other things, implementation of strategic, institutional and structural reforms; reduction of overdue tax arrears; absence of increase of budgetary arrears; improvement of sovereign debt credit ratings; and reduction of overdue indebtedness for electricity and gas. Negative developments on these may result in Ukraine not finding adequate financing which could, in its turn put pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on the Ukrainian economy as a whole, and thus, on the Group's business prospects.

Any major adverse changes in Ukraine's relations with Russia, in particular any such changes adversely affecting supplies of energy resources from Russia to Ukraine and/or Ukraine's revenues derived from transit charges for Russian oil and gas, would likely have negative effects on certain sectors of the Ukrainian economy which could under certain conditions affect the Group's business.

The Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is, however, in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to:
(i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts;
(ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted;
(iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation; and
(iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organised form.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Parliament. The recent origin of much of Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt, and result in ambiguities, inconsistencies and anomalies.

In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities.

Tax laws are changing and compared to more developed market economies are in a non mature level thus creating often an unclear tax environment of unusual complexity. This particularly affects negatively the ability of the Group to recuperate VAT paid and/or to utilize operating losses as a carry forward tax shield.

Emerging economies such as Ukraine's are subject to rapid change and the information set out in these financial statements may become outdated relatively quickly.

4.1.2 Risks associated with property holding

Several factors may affect the economic performance and value of the Group's properties, including:

- risks associated with construction activity at the properties, including delays, the imposition of liens and defects in workmanship;
- the ability to collect rent from tenants, on a timely basis or at all;
- the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- cyclical fluctuations in the property market generally;
- local conditions such as an oversupply of similar properties or a reduction in demand for the properties;
- the attractiveness of the property to tenants or residential purchasers;
- decreases in capital valuations of property;
- changes in availability and costs of financing, which may affect the sale or refinancing of properties;
- covenants, conditions, restrictions and easements relating to the properties;
- changes in governmental legislation and regulations, including but not limited to designated use, allocation, environmental usage, taxation and insurance;
- the risk of bad or unmarketable title due to failure to register or perfect our interests or the existence of prior claims, encumbrances or charges of which we may be unaware at the time of purchase;
- the possibility of occupants in the properties, whether squatters or those with legitimate claims to take possession;
- the ability to pay for adequate maintenance, insurance and other operating costs, including taxes, which could increase over time; and
- terrorism and acts of nature, such as earthquakes and floods that may damage the properties.

4.1.3 Property Market price risk

Market price risk is the risk that the value of the Company's portfolio investments will fluctuate as a result of changes in market prices. The Group's assets are susceptible to market price risk arising from uncertainties about future prices of the investments. The Group's market price risk is managed through diversification of the investment portfolio, continuous elaboration of the market conditions and active asset management.

The prevailing global economic conditions throughout 2008-2010 and the ensuing Euro zone Sovereign Debt crisis have had a considerable effect on the market prices of the current portfolio investments of the Group.

In cases that the BoD deemed necessary, it has taken provisions on the assets' valuation in order to ensure that the asset value is presented within the financial statements of the Group in such a way as to take into account various uncertainties. To quantify the value of its assets and/or indicate the possibility of impairment losses, the Company commissioned internationally acclaimed valuers.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.4 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets apart from its cash balances that are mainly kept for liquidity purposes.

The Group is exposed to interest rate risk in relation to its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. All of the Group's borrowings are issued at a variable interest rate. Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

4.1.5 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets at hand at the end of the reporting period. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

Management has been in continuous discussions with banking institutions monitoring their ability to extend financing as per the Group’s needs. The sovereign debt crisis has affected the pan-European banking system during 2011 and has imposed financing uncertainties for new development projects.

Management also monitors the developing Eurozone debt crisis situation in respect of its possible effects on the Region’s banking system. More specifically Management evaluates the probability that the parent Italian, Austrian and Greek banks liquidity related issues affect negatively the local subsidiaries of the said banks.

4.1.6 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Most of the Group’s transactions, including the rental proceeds are denominated in the functional currency (USD). For the rest of the foreign exchange exposure Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

As a precaution against probable depreciation of local currencies, and especially of the UAH, the majority of the Group’s liquid assets are held in USD denominated deposit accounts.

4.1.7 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s core strategy is described in note 27 of the financial statements.

4.1.8 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state.

Although the Group is trying to limit such risk, the uncertain environment in which it operates increases the complexities handled by Management. A new compliance policy is expected to be implemented in 2012.The Group's exposures are discussed under note 27.

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.9 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations and is discussed in note 25.

4.1.10 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. Following the Group's distress period between 2010 and mid 2011 and the settlement of its known liabilities Management expects that the risk of negative publicity is reduced.

4.2. Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

4.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the end of the reporting period.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on Management's best knowledge of current events and actions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results though may ultimately differ from those estimates.

As the Group makes estimates and assumptions concerning the future the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Provision for impairment of receivables**

  The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the counter party's payment record, and overall financial position as well as the state's ability to pay its dues (VAT receivable). If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for impairment of receivables is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Fair value of investment property**

  The fair value of investment property is determined by using various valuation techniques. The Group selects highly reputed international companies with local presence to effect such valuations. Such valuers use their judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each financial reporting date. The fair value of the investment property has been estimated based on the fair value of their individual assets.

5. Critical accounting estimates and judgements (continued)

- **Income taxes**

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of tangible assets**

  Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

- **Impairment of intangible assets**

  Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Provision for deferred taxes**

  Deferred tax is not provided in respect of the revaluation of the investment property and investment property under construction as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future. The properties are held by subsidiary companies in Ukraine. The management estimates that the assets will be realised through a share deal rather than through an asset deal. Should any subsidiary be disposed of, the gains generated from the disposal will be exempt from any tax.

6. Earnings and net assets per share attributable to equity holders of the parent

a. Weighted average number of ordinary shares

	2011		2010
Issued ordinary shares capital	9.277.727		4.142.727
Weighted average number of ordinary shares (Basic)	4.297.480		4.142.727
Diluted weighted average number of ordinary shares	4.297.480		4.142.727

b. Basic diluted and adjusted earnings per share

Earnings per share	**31/12/2011**		**31/12/2010**
	US$		**US$**
Profit/(Loss) after tax attributable to owners of the parent	(1.084.023)		(24.934.873)
Basic	(0,25)		(6,02)
Diluted	(0,25)		(6,02)

c. Net assets per share

Net assets per share	**31/12/2011**		**31/12/2010**
	US$		**US$**
Net assets attributable to equity holders of the parent	31.422.535		24.960.584
Number of ordinary shares	9.277.727		4.142.727
Diluted weighted number of ordinary shares	10.900.111		4.142.727
Basic	3,39		6,03
Diluted	2,88		6,03

7. Revenues

Operational income in the amount of US$526.520 represents rental and service charged income generated during the reporting period by the rental agreements concluded with tenants of the Terminal Brovary Logistic Park. Vacancy rate of the Terminal has gone down to 55% as at the reporting date (Note 12).

Valuation gains/losses from investment property represents the adjustment for the period of the fair value of the Investment Property.

Project Name	**Valuation gains/(losses) 2011**	**Valuation gains/(losses) 2010**
	US$	**US$**
Brovary Logistic Park	3.337.770	(7.835.830)
Bela Logistic Center	(2.836.174)	(563.045)
Kiyanovsky Lane	(905.192)	(10.892.827)
Tsymlyanski Lane	8.817	(673.420)
Balabino	(233.941)	-
Total	**(628.720)**	**(19.965.122)**

8. Administration Expenses

The below table presents the breakdown of the administration expenses. As the Group underwent a reorganization period, Management opted to present the 2011 expenses in 2 categories:

a. Recurring category includes expenses that are expected to appear in the financial statements also in the future and are related to the ongoing activities of the Group.

b. Non-recurring/One-off category includes expenses that are either related to one-off events mainly emanating from the restructuring of the Group, or related to past years charges resulting from contracts/operations not previously recorded.

8. Administration Expenses (continued)

	2011		2010
	US$		US$
	Recurring Expenses	Non Recurring-One-off Expenses	
Management fees	-	1.403.501	3.492.678
Salaries and Wages	785.337	164.898	688.160
Consulting fees	261.654	478.495	335.885
Legal fees	332.338	380.807	239.162
Taxes and duties	70.726	410.094	60.704
Audit	129.522	117.745	91.316
Public group expenses	115.039	92.923	117.617
Directors remuneration	143.130	-	185.385
Security	79.500	48.069	337.842
Travelling expenses	63.793	47.342	13.144
Office rent	60.746	27.720	142.550
Apartment rent	-	45.722	25.842
Accounting fees	19.045	21.467	67.751
Other office expenses	37.223	-	119.073
Depreciation	32.875	-	20.303
Other expenses	75.451	-	40.675
	2.206.379	3.238.783	**5.978.087**
Total Administration Expenses	**5.445.162**		**5.978.087**

8.1 Non recurring/ One-off Expenses

Management fee refers to the Investment Management contract between the Company and AISI Realty Capital LLC, which as of 1/7/2011 is no longer in effect. The amount expensed covers the period from 1/1/2011 until 30/06/2011 and has been part of the Settlement Agreement between the two entities (Note 24).

Consulting, legal and audit fees, represent one-off expenses paid during the year in relation to the Company's restructuring and other extraordinary events.

Public Group, security, office rentals, apartment rentals, taxes and duties and accounting fees represent previous years' expenses, that have not been accrued and were invoiced during the relevant past periods or expenses incurred in 2011 up to July that because of their nature (apartment rental) will not be incurred in the future.

8.2 Recurring Expenses

Expenses classified under the recurring category represent on-going expenses corresponding to the current operational activity of the Group.

9. Finance income/(costs), net

	2011	2010
	US$	US$
Bank interest expenses	(1.153.000)	(1.150.869)
Loan restructuring cost	(249.333)	-
Foreign exchange (losses) /gains	(117.484)	263.388
Finance charges and commissions	(133.338)	(132.529)
(Loss)/gain from discounting VAT recoverable, non-current	-	1.050.843
Bank interest income	8.164	84.694
Net finance result	**(1.644.991)**	**115.527**

Bank interest represents interest paid on the borrowings of the Group as described in note 19.1.1.

Loan restructuring expenses incurred during the refinancing of the EBRD loan in June 2011 (Note 19.1.1).

10. Other income, net

	2011 US$	2010 US$
Accounts payable written off	8.450.252	-
Provision on advance payments -gain/(loss)	(1.000.000)	770.940
Provision on prepayments and other current assets impairment loss	(316.592)	(111.899)
Impairment loss of VAT recoverable	(417.645)	-
Penalties	(194.379)	(1.788)
Other expenses, net	(173.282)	(70.228)
Total	**6.348.354**	**587.025**

Accounts payable written off represent the total amount of creditors' payables written off as a result of negotiations and settlement during the reorganization of the Group.

Provision for advance payments reflects an allowance estimate made by the Management. The Group has advanced ~US$12 mil. in 2007 as a loan to a company who would sell its Podol property asset to the Group, taking as collateral an asset of 42ha at Kiev Oblast-Rozny (Kiev Oblast property). As Management estimated already from August 2008 that the deal has limited probability to be effected, it has reduced the amount of the advance throughout the years and presents it at the valued amount of the collateral plot. Consequently and in view of the valuation performed in December 2011 by BNP Paribas an impairment provision of US$1.000.000 over the carrying amount as of the reporting period ending at 31/12/2010 was mandated.

Provision for prepayments and other current assets impairment represent difference between allowances for prepayments and other current assets estimated previously by the Management and the amounts which have been finally settled. The amount includes a 100% provision made by Management on the interest receivable over the loan granted to IFO Swiss Gmbh for the acquisition of a project in Podol (see paragraph just above, also Notes 13 and 12c), following the default of the debtor.

Impairment loss for VAT recoverable relates to VAT receivable of Aisi Bela LLC fully written off as of 31/12/2011 due loss of corporate tax status of "VAT payer" in July 2011.

Penalties incurred by the Group were mainly caused as a result of delayed payments of its liabilities during the first semester of 2011.

11. Tax

	2011 US$	2010 US$
Taxes	249.715	-
Total Tax	**249.715**	**-**

The income tax rate for the Company's Ukrainian subsidiaries is 25% for the year ended 31/12/2011. The corporate tax that is applied to the qualifying income of the Company and its Cypriot subsidiaries is 10% for the year ended 31/12/2011 (years ending 31 December 2010 and 2009: 10%).

The tax on the Group's results differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2011 US$	2010 US$
Profit / (loss) before tax	651.518	(25.240.657)
Tax calculated on applicable rates	65.152	(5.819.619)
Allowances for tax losses carry forward	-	1.494.522
Expenses not recognized for tax purposes	985.637	276.569
Income/ (loss) on revaluation not subject to tax	62.872	4.991.281
Tax allowances not subject to tax	(884.320)	(942.753)
10% additional tax	20.374	-
Total Tax	**249.715**	**-**

11. Tax (continued)

As from 1 January 2008, deferred tax is not provided for in respect of the revaluation of the investment property and investment property under construction as the Management expects that the properties that are held by subsidiary companies in Ukraine will be realised through a share deal rather than through an asset deal and consequently expects that the gains generated from the disposal of subsidiaries will be exempt from any tax. The respective reversal of previously accrued Deferred Tax Liabilities has been made in 2008.

12. Investment Property (all)

Investment Property consists of the following assets:

Terminal Brovary Logistic Park consists of a 49.180 sq m Class A warehouse and associated office space, situated on the junction of the main Kiev – Moscow highway and the Borispil road. The facility is in operation since Q1 2010 and is currently 45% leased.

Bela Logistic Center is a 22,4Ha plot in Odessa situated on the main highway to Kiev. Following the issuance of permits in 2008, below ground construction for the development of a 103.000 sq m GBA logistic center commenced. Construction was put on hold in 2009 following adverse macro-economic developments at the time.

Kiyanovsky Lane consists of four adjacent plots of land, totaling 0,55 Ha earmarked for a residential development, overlooking the scenic Dnipro River, St. Michael's Spires and historic Podil neighbourhood.

Tsymlyanski Lane, is a 0,36 Ha plot of land located in the historic Podil District of Kiev and is destined for the development of a residential complex.

Asset Name	Description/ Location	Principal activities/ Operations	Related Companies	Carrying amount as at 31/12/2011 US$	Carrying amount as at 31/12/2010 US$
Terminal Brovary Logistic Park	Brovary, Kiev Oblast	Warehouse	TERMINAL BROVARY AISI BROVARY AISI LOGISTICS	20.937.000	17.461.000
Bela Logistic Center	Odessa	Land and Development Works for Warehouse	AISI BELA	8.100.000	10.300.000
Kiyanovsky Lane	Podil, Kiev City Center	Land for residential development	AISI UKRAINE TORGOVIY CENTR	8.000.000	8.920.000
Tsymlyanski Lane	Podil, Kiev City Center	Land for residential development	ALMAZ PRES UKRAINE	2.500.000	2.500.000
Balabino	Zaporozhie	Land for retail development	INTERTERMINAL MERELIUM INVESTMENTS	4.500.000	4.750.000
TOTAL				**44.037.000**	**43.931.000**

Carrying amounts of the properties represent fair value estimates as of 31 December 2011 as provided by BNP Paribas an external valuer. In June 2011, prior to the Group's restructuring, in the absence of a then current valuation and with certain contingent liabilities appearing, the Board opted to take a significant provisional reduction, amounting to US$7.833.811 from the December 2010 carrying amounts, thus reducing the June 2011 carrying amount of the investment properties to the total of US$36.129.132.

12. Investment Property (continued)

Following the restructuring in August 2011, and during the settlement process of liabilities related to the investment properties of the Group, various issues that would have otherwise adversely impacted the valuation of the portfolio, have been quantified, managed, negotiated and settled, thus reducing the overall uncertainty. As a result, the provisional amount in June 2011 has been reversed.

In late 2011, the Group has received some offers for certain of its properties which further increased the Board of Directors reliance on the valuation figures representing the true and fair estimate of the investment portfolio.

a. Investment Property Under Construction

	2011	2010
	US$	US$
At 1 January	**10.300.000**	**35.319.000**
Transfer to investment property	-	(23.490.000)
Capital expenditures on investment property	666.402	(1.003.062)
Revaluation losses on investment property	(2.836.175)	(563.045)
Translation difference	(30.227)	37.107
At 31 December	**8.100.000**	**10.300.000**

As at 31 December 2011 investment property under construction represents the carrying value of Bela Logistic Center project, which has reached the +10% construction projects in late 2008 but it is stopped since then.

Following the restructuring of the Group in August 2011, a settlement has been agreed regarding a contingent liability with the main contractor of the said project, who was claiming at the time an amount ranging between US$3.000.000-US$5.000.000, not previously recorded in the accounting books of the Group. The ensuing settlement, which resulted to a total of US$1.000.000, 70% of which is a conditional future payment, releases the Group of any other potential claim by the contractor and is shown in the liabilities of the Group (Note 20).

In late December 2011, the Group has signed a Preliminary Agreement for the sale of the shares of the subsidiary owing the plot/asset for US$9.000.000 minus any liabilities arising during the due diligence process.

b. Investment Property

	2011	2010
	US$	US$
At 1 January	**33.631.000**	**22.873.000**
Transfer from investment property under construction	-	23.490.000
Capital expenditure on investment property	223.545	6.491.239
Revaluation gain/(loss) on investment property	2.207.455	(19.402.077)
Translation difference	(125.000)	178.838
At 31 December	**35.937.000**	**33.631.000**

Terminal Brovary, Kiyanovsky Lane, Tsymlyanski Lane and Balabino village are included in the Investment Property category.

c. Advances for Investments

	31/12/2011	31/12/2010
	US$	US$
Advances for investments	11.840.547	11.847.043
Impairment provision (cumulative as of the reporting period)	(6.840.547)	(5.847.043)
Total	**5.000.000**	**6.000.000**

12. Investment Property (continued)

The Group has made an advance payment of ~US$12mil. (representing principal plus interest) for the acquisition of a project in Podol (Kiev) in 2007. As of the end of the reporting period the Management does not expect such acquisition to proceed while the seller has already defaulted on his credit to the Group (Note 10).

As a consequence, the Group has commenced legal proceedings for the transfer of the collateral (land plot of 42 ha in Kiev Oblast) in the Group's name. The said plot, as per the valuation by BNP Paribas in December 2011 is valued at US$5.000.000.

13. Prepayments and other current assets

	31/12/2011	31/12/2010
	US$	US$
Interest receivable	-	658.620
Prepayments and other current assets	396.555	1.819.979
VAT and other tax receivable	4.675.148	1.404.947
Receivables from related parties	-	1.256
Impairment of prepayments and other current assets	(66.568)	(397.204)
Total	**5.005.135**	**3.487.598**

Interest receivable represents interest accrued by Aisi Capital Limited on the basis of the loan agreement for the acquisition of a property asset in Podol-Kiev which relates to the advance payment for the acquisition of a property in Kiev. The interest has been fully impaired in 2011 (Note 10).

Prepayments and other current assets mainly include prepayments made for services.

VAT and other tax receivable represent the current portion of the Terminal Brovary VAT receivable, to be offset from VAT over rental income throughout the next 12 months. The increase from the 2010 reported figure is primarily attributed to reclassification from the Non-Current VAT receivable.

The Board opted to take an impairment provision of US$66.568 in the carrying amounts of the prepayments and other receivables, by taking into account the nature of these receivables and the Group's limited probability to collect the said amounts.

14. Non current assets, Long-term VAT recoverable, net

	31/12/2011	31/12/2010
	US$	US$
VAT receivable (note13)	-	3.844.829
Impairment of VAT receivable	-	(917.890)
Total	**-**	**2.926.939**

Non current assets in 2010, comprised of VAT receivable and impairment on VAT receivable, have been included under current assets in 2011.

15. Cash and cash equivalents

Cash and cash equivalents represent liquidity held at banks.

16. Share capital

Number of Shares (as at)	31/12/2010	17/7/2011	9/8/2011	9/8/2011	20/12/2011	31/12/2011
		Increase of Share Capital	Conversion of Share Capital	Conversion of Share Capital	Conversion exercised/ Issue of Share Capital	
Authorised						
Ordinary shares of €0,01 each	875.000.000	1.400.000.000	8	989.869.935	989.869.935	989.869.935
Ordinary shares of €1 each	-	-	13.999.999	-	-	-
Ordinary Shares of €0,92 each	-	-	1	1	1	1
Deferred Shares of €0,99 each	-	-	-	4.142.727	4.142.727	4.142.727
Total	875.000.000	1.400.000.000	14.000.008	994.012.663	994.012.663	994.012.663
Issued and fully paid						
Ordinary shares of €0,01 each	414.272.792	414.272.792		4.142.727	5.135.000	9.277.727
Ordinary shares of €1 each	-	-	4.142.727	-	-	-
Ordinary Shares of €0,92 each	-	-	-	1	-	1
Deferred Shares of €0,99 each	-	-	-	4.142.727	4.142.727	4.142.727
Total	414.272.792	414.272.792	4.142.727	8.285.455	13.420.455	13.420.455

Value (as at)	31/12/2010	17/7/2011	9/8/2011	9/8/2011	20/12/2011	31/12/2011
		Increase of Share Capital	Conversion of Share Capital	Conversion of Share Capital	Conversion exercised/ Issue of Share Capital	
Authorised (€)						
Ordinary shares of €0,01 each	8.750.000	14.000.000	0.08	9.898.699	9.898.699	9.898.699
Ordinary shares of €1 each	-	-	13.999.999	-	-	-
Ordinary Shares of €0,92 each	-	-	0.92	0.92	0.92	0.92
Deferred Shares of €0,99 each	-	-	-	4.101.300	4.101.300	4.101.300
Total	8.750.000	14.000.000	14.000.000	14.000.000	14.000.000	14.000.000
Issued and fully paid ($)						
Ordinary shares of €0,01 each	5.341.918	-	-	-	75.358	5.507.276
Ordinary shares of €1 each	-	-	-	-	-	-
Ordinary Shares of €0,92 each	-	-	-	-	-	-
Deferred Shares of €0,99 each	-	-	-	-	-	-
Total	5.431.918	5.431.918	5.431.918	5.431.918	5.507.276	5.507.276

16. Share capital (continued)

16.1 Authorized share Capital

Following a decision of the shareholders of the Company on 17 July 2011, the authorized share capital was increased to €14.000.000 divided into 1.400.000.000 Ordinary Shares of €0,01 each.

On 9 August 2011, the authorized share capital of the Company amounting to €14.000.000 divided into 1.400.000.000 Ordinary Shares of €0,01 each, was consolidated and converted to 13.999.999 Ordinary Shares of €1 each, 1 Ordinary Share of €0,92 and 8 Ordinary Shares of €0,01 each.

On the same date, the authorized share capital of the Company amounting to €14.000.000 was subdivided and converted to 989.869.935 Ordinary Shares of €0,01 each, 1 Ordinary Share of €0,92 and 4.142.727 Deferred Shares of €0,99 each.

16.2 Issued Share Capital - Capital Reorganization - New Ordinary Shares

Further to the resolutions approved at the EGM of 24 July 2011 and pursuant to the capital reorganization resolutions the Company has restructured its share capital from the then 414.272.792 existing ordinary shares to 4.142.727 new ordinary shares of €0,01 nominal value, having the same rights as the then existing ordinary shares, 4.142.727 deferred shares of €0,99 nominal value having no rights whatsoever, and 1 existing ordinary share of €0,92 nominal value. The new ordinary shares have been effected as of 15 August 2011.

16.3 Convertible Bond-Financial Restructuring

On 1 July 2011 the Company signed an agreement with an independent third party, namely Sec South East Continental Unique Real Estate (SECURE) Management, under which the Company entered into a subscription agreement with Narrowpeak Consultants Limited (Narrowpeak), a member of the SECURE Management group, for a substantial investment in the Company on certain terms.

Under the agreement, Narrowpeak conditionally agreed to subscribe for Bonds issued by the Company with aggregate value of US$8 million which were convertible, in certain circumstances, into 5.135.000 new ordinary shares and would be issued with class B warrants to subscribe for up to 1.091.000 new ordinary shares (see below).

The principal term of the bonds was eight months and the annual interest during this eight month period is 1% per annum. The bond was collateralized by all the freehold assets of the Group which were not mortgaged. The Company has issued the convertible bond to Narrowpeak on 15 August 2011.

On 20 December 2011 Narrowpeak converted the bond into equity, receiving 5.135.000 shares of nominal value of €0,01, together with the right to exercise its class B warrants (as defined below). The shares have been issued at a share premium of €1,0516 each. Following the conversion of the bond the Company has initiated the procedure to cancel the mortgages held by Narrowpeak. As at the publishing date of this report all mortgages have been lifted.

16.4 Future Capital Increase

The Board has also taken authority from Shareholders from the EGM of 17 July 2011 to allot up to 2.619.790 new ordinary shares at a price of £0,95 per Share and is in the process to raise up to US$4m of capital without further shareholder’s approval. This authority will expire on the date of the first anniversary of conversion of the bond, on 20 December 2012. For further details please revert to the Circular of 1 July 2011.

16.5 Director's Option scheme

Under the said scheme each of the directors serving at the time, which is still a Director of the Company is entitled to subscribe for 2.631 Ordinary Shares exercisable as set out below:

	Exercise Price US$	Number of Shares
Exercisable till 1 August 2017	57	1.754
Exercisable till 1 August 2017	83	877

16. Share capital (continued)

16.5 Director's Option scheme (continued)

Director Franz M. Hoerhager Option scheme, 12/10/2007

Under the said scheme, director Franz M. Hoerhager is entitled to subscribe for 1.829 ordinary shares exercisable as set out below:

	Exercise Price	Number of
	GBP	Shares
Exercisable till 1 August 2017	40	1.219
Exercisable till 1 August 2017	50	610

The above option schemes were approved by the shareholders of the Company in General Meeting on 31 March 2008. As of the reporting date the Company has reversed the reserved equity (from past periods) for the share options in the statement of financial position as at 31 December 2011 in the amount of US$ 68.390 as the options are well out of the money.

16.6 Warrants issued

On 8 August 2011, the Company has issued 273.000 Class A Warrants (equivalent to 2,5% of the issued share capital of the Company at the time) to AISI Realty Capital LLC, former Investment Manager of the Company. Each Class A Warrant entitles the holder to receive one Ordinary Share. The Class A Warrants may be exercised at any time until the third anniversary of the issuance date of the Class A Warrant Instrument. The exercise price of the Class A Warrant will be the nominal value per Ordinary Share as at the date of exercise.

On 8 August 2011 the Company has issued 1.091.000 Class B Warrants to Narrowpeak Consultants Ltd and is about to issue 273.000 Class B Warrants to Besik Sikharulidze and Nugzar Kachukhasvili (for an aggregate equivalent to 12,5% of the issued share capital of the Company). Each Class B Warrant entitles the holder to receive one Ordinary Share. The Class B Warrants may be exercised at any time until the third anniversary of the issuance date of the Class B Warrant Instrument. The exercise price of the Class B Warrants will be the nominal value per Ordinary Share as at the date of exercise. The Class B Warrant Instruments have anti-dilution protections so that, in the event of further share issuances by the Company, the number of Ordinary Shares to which the holder of a Class B Warrant is entitled will be adjusted so that he receives the same percentage of the issued share capital of the Company (as nearly as practicable), as would have been the case had the issuances not occurred. This anti-dilution protection will lapse on the earlier of (i) the expiration of the Class B Warrants; and (ii) capital increase(s) undertaken by the Company generating cumulative gross proceeds in excess of US$100.000.000.

Pursuant to the reorganization of the share capital of the Company, the conversion of the bond by Narrowpeak into equity and the issuance of the Warrants the Company's share capital is as follows

Number of		**(as at)** 31/12/2011
Ordinary shares of €0,01	Listed in AIM	9.277.727
Class A Warrants		273.000
Class B Warrants		1.364.000
Total number of Shares	**Non Dilutive Basis**	**9.277.727**
Total number of Shares	**Full Dilutive Basis**	**10.914.727**
Ordinary Share €0,92		1
Options		4.460

17. Foreign Currency Translation Reserve

Exchange differences related to the translation from the functional currency of the Group's subsidiaries are accounted by entries made directly to the foreign currency translation reserve. The foreign exchange translation reserve represents unrealized profits or losses related to the appreciation or depreciation of the local currencies against the USD in the countries where the Company's subsidiaries own property assets.

18. Non Controlling Interests

Non controlling interests represent the equity value of 45% shareholding in LLC Almaz-pres-Ukraina, which is being held by ERI Trading & Investments Co. Limited.

19. Borrowings

	31/12/2011	31/12/2010
	US$	US$
Principal	15.529.412	15.529.412
Principal due to related parties (Note 24)	-	4.333
Interests	284.445	36.904
Total	**15.813.857**	**15.570.649**

19.1 Current borrowings

19.1.1 EBRD

In March 2011 the Group failed to make payment of the relevant instalments of the construction loan that had been signed with EBRD for the construction of Terminal Brovary Logistics Park. In May 2011 the Group signed a restructuring agreement with EBRD for the US$15,5m outstanding. The agreement provides Aisi with a grace period on the principal repayments until September 2012 (interest is to be paid quarterly), and extends the duration of the loan by 18 months compared with the original term.

The loan bears interest at 3 months LIBOR plus 6,75%, and the principal is repayable in 33 instalments of US$470.588. In addition, the loan bears a 2% margin over the effective interest rate for the duration of the grace period, payable upon the termination of such period.

Following the loan restructuring, the Group failed to effect the first interest payment due on 17 June 2011, due to inadequate liquidity. Pending the issue of the convertible loan to Narrowpeak, the Directors and Narrowpeak came into contact with EBRD and secured its collaboration until such time that the convertible loan was signed (8 August 2011). From late August 2011, when the interest due was repaid, the loan has been current.

As at 31 December 2011 the Group pledged through the June 2011 financing agreement, as collateral to secure the bank loan the following:

1. LLC Terminal Brovary pledged all movable property with the carrying value more than US$25.000.
2. LLC Terminal Brovary pledged its Investment property, Brovary Logistics Centre that was finished construction in 2010 (Note 12), and all property rights on the centre.
3. Aisi Realty Public Ltd pledged 100% corporate rights in Aisi Logistics Ltd, a Cyprus Holding Company for the Shareholder of LLC Terminal Brovary, LLC Aisi Brovary.
4. Aisi Logistics Ltd pledged 99% corporate rights in LLC Aisi Brovary.
5. LLC Aisi Brovary pledged 100% corporate rights in LLC Terminal Brovary.
6. LLC Terminal Brovary pledged all current and reserved accounts opened by LLC Terminal Brovary in Erste Bank, Ukraine.
7. LLC Aisi Brovary entered into a call and put option agreement with EBRD, Aisi Realty Public Ltd and LLC Terminal Brovary pursuant to which
    a. Following an Event of Default (as described in the Agreement) EBRD shall have the right (Call option) to purchase at the Call Price from LLC Aisi Brovary, 20% of the Participatory Interest held by LLC Aisi Brovary on the relevant Settlement Date,
    b. EBRD shall have the right (Put Option), exercisable in its sole discretion, to sell to LLC Aisi Brovary all but not less than all of the Participatory Interest in the Charter Capital of LLC Terminal Brovary held by EBRD on the relevant Settlement Date at the Put Price.

19. Borrowings (continued)

19.1 Current borrowings (continued)

8. LLC Terminal Brovary has granted EBRD a second ranking mortgage in relation to its own and LLC Aisi Brovary's obligations under the call and put option agreement.

Also the Company issued the corporate guarantee dated 12 January 2009 to guarantee all liabilities and fulfilment of conditions under the loan agreement signed with EBRD. The maturity of the guarantee is equal to the maturity of the loan.

The credit agreement with EBRD includes among others the following requirements for LLC Terminal Brovary and the Group as a whole:

1. Consolidated total liabilities to audited equity of the Company, adjusted for deferred tax and independent valuation, should not exceed 60% over the life of Aisi Realty Public Guarantee.
2. At all times minimum value of unencumbered assets and cash of the Company should not be less than US$30.000.000 (based on the Group consolidated results).
3. At all times Brovary Logistics shall maintain a balance in the Debt Service Reserve Amount (DSRA) account equal to not less than the sum of all payments of principal and interest on the Loan which will be due and payable during the next six months on and after the Project Completion Date provided, however, that (A) LLC Terminal Brovary shall deposit not less than 50% of the DSRA before the end of the Grace Period and (B) the DSRA shall be fully funded on or before 18th December 2012.
4. LLC Terminal Brovary shall achieve a "CNRI"(Contract Net Rental Income is the aggregate of monthly lease payments, net of value added tax, contracted by the Borrower pursuant to the Lease Agreements as of the relevant testing date and converted into Dollars at the official exchange rate established by the National Bank of Ukraine as of such testing date) according to the following schedule:
    a) on 18th September, 2011, the CNRI of more than US$ 75.000;
    b) on 18th December, 2011, the CNRI of more than US$ 150.000; and
    c) on and after 18th March, 2012 until the end of the Grace Period, the CNRI of more than US$200.000.

20. Trade and other payables

	31/12/2011	31/12/2010
	US$	US$
Payables to related parties (Note 24)	925.704	7.939.294
Guarantee reserve on construction works, current	751.419	815.951
Guarantee reserve on construction works, non-current	-	642.374
Payables for construction, current	480.027	521.945
Payables for construction, non-current	364.032	-
Payables for services	240.601	1.677.313
Provision for reimbursements	1.550.000	1.504.390
Accruals	146.606	679.581
Long-term notes	-	20.096
Total	**4.458.389**	**13.800.944**

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

Guarantee reserve on construction works, represents the portion of the guaranteed amount payable to the contractor of Brovary Logistic Park upon finalization of the works and of the snagging list.

20. Trade and other payables (continued)

Payables for construction represent amounts payable to the contractor of Bella Logistic Center in Odessa. In December 2011, the Group has settled a probable cause for litigation with the said contractor who was claiming US$3.000.000-US$5.000.000. The settlement was reached on the basis of maintaining the construction contract in an inactive state (to be reactivated at the option of the Group) with the Group agreeing to pay UAH2.400.000 (~US$300.000) within Q1-2012, while upon reactivation of the contract or termination of it (because of the sale of the asset) the Group would have to pay an additional UAH5.400.000 (~US$ 700.000) payable upon such event occurring. Since it is uncertain when the latter amount is to be paid it has been discounted at the current discount rates in Ukraine and is presented as a non current liability.

Payables for services represent amounts payable to various service providers including auditors, legal advisors, consultants and third party accountants.

Provision for reimbursements represents the potential Group's liability towards UVK, first tenant of Brovary Logistic Park. The amount which is in dispute is also backed by a mortgage on the Aisi Bella's Odessa plot which UVK attempts to enforce.

21. Deposits from Tenants

	31/12/2011	31/12/2010
	US$	US$
Deposits from tenants	196.669	30.704
Total	**196.669**	**30.704**

Deposits from tenants appearing under non current liabilities include the amounts received from the tenants of LLC Terminal Brovary as advances/ guarantees and are to be reimbursed to these clients at the expiration of the leases agreements.

22. Current and Provisional tax liabilities

	31/12/2011	31/12/2010
	US$	US$
Income tax	665.123	510.230
Other taxes	149.953	76.335
Provision	348.734	74.910
Special contribution for defence	-	10
Total Tax Liability	**1.163.810**	**661.485**

Income tax represents taxes payable in Cyprus.

Other taxes represent taxes payable in Ukraine.

Provision represents a Management estimate on potential tax payable for Bella LLC (Note 25).

23. Finance lease liabilities

	Minimum lease payments	Interest	Principal
	2011	2011	2011
	US$	US$	US$
Less than one year	115.631	115.631	-
Between two and five years	583.240	419.959	163.281
More than five years	1.942.967	1.633.006	309.962
	2.641.838	**2.168.596**	**473.243**

23. Finance lease liabilities (continued)

	Minimum lease payments	Interest	Principal
	2010	2010	2010
	US$	US$	US$
Less than one year	114.739	83.410	31.329
Between two and five years	417.669	321.384	96.285
More than five years	1.981.280	1.630.015	351.266
	2.513.688	**2.034.809**	**478.880**

The Group rents land plots classified as finance lease. Lease obligations are denominated in UAH. The fair value of lease obligations approximate to their carrying amounts as presented above. Following the appropriate discounting finance lease liabilities are carried at US$ 679.905 under current and non-current portion. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

24. Related Party Transactions

The following transactions were carried out with related parties:

24.1 Expenses

	2011	2010
	US$	US$
Aisi Realty Capital LLC (Note 24.5)	1.403.501	3.492.678
Aisi Realty Capital LLC-Reimbursable expenses	186.066	-
SECURE Management	295.594	-
Board of Directors	143.130	185.385
Management Remuneration	247.000	-
Grafton Properties (Note 24.2.1)	19.388	-
Axia Ventures	168.750	
Expenses paid by Aisi Realty Capital LLC (Note 24.5)	401.000	
Total	**2.864.429**	**3.678.063**

The management fee charged by Aisi Realty Capital LLC has been calculated at the rate of 2,5% on the committed capital up to 30/6/2011. Following the deal with Narrowpeak, a Settlement Agreement was signed between the Company and Aisi Realty Capital LLC, and the relevant management fee charge is no longer applicable. The Settlement Agreement constitutes a related party transaction under Rule 13 of the AIM Rules for Companies. For further details please revert to the Circular of 1 July 2011 which is accessible at the Company's website. As at the reporting date the Company had no outstanding liability towards Aisi Realty Capital LLC, other than the reimbursable expenses (Note 24.5).

Pursuant to the Settlement agreement, the Company reimbursed to Aisi Realty Capital LLC for the period until 31/5/2011, the amount of US$186.066. One principal of Aisi Realty Capital LLC continues to be a director of Aisi Realty Public Limited.

SECURE Management expenses represent expenses incurred by the Group and payable to Secure Management for a) expert personnel of SECURE Management Ltd, a real estate project and asset management company, seconded to and used by the Company to cover various non permanent positions and/or specialized advisory and consultancy needs and b) one off expenses in relation to the reorganization of the Group.

Board of Directors includes remuneration provision amounting to US$62.400 reflecting post August 2011 period and an amount equal to $80.730 representing remuneration for previous periods.

Management remuneration includes remuneration provision for the CEO and CFO covering the period from August 2011 to December 2011 amounting to US$133.000, as well as remuneration of the Managing Director of Ukraine for the same period of time.

24. Related Party Transactions (continued)

24.2 Payables to related parties

	31/12/2011	31/12/2010
	US$	US$
Aisi Realty Capital LLC	141.066	7.711.332
Grafton Properties	150.000	-
Board of Directors	146.172	208.644
Secure Management Ltd/ Narrowpeak	130.466	-
Management Remuneration	358.000	
Andro Namicheisvili	-	19.318
Total	**925.704**	**7.939.294**

24.2.1 Loan payable to Grafton Properties

Under the said Settlement Agreement, the Company undertook the obligation to repay to certain lenders who had contributed certain funds for the operating needs of the Company between 2009-2011, by lending to AISI Realty Capital LLC, the total amount of US$450.000. As of the reporting date the liability towards Grafton Properties, representing the Lenders, was US$150.000, which is contingent to the Company raising Capital in the markets.

24.2.2 Board of Directors

The amount payable includes US$62.400 as a provision against BoD remuneration following the August 2011 reorganization of the Company and an amount equal to US$34.447 representing payable to former Director Mrs. Helen Maximova.

24.2.3 Management Remuneration

Management remuneration includes provisioned remuneration for the CEO and CFO covering the period of August 2011 to December 2011 amounting to US$133.000.

24.3 Borrowings from related parties

	31/12/2011	31/12/2010
	US$	US$
Besik Sikharulidze	-	4.333
Total	**-**	**4.333**

24.4 Receivables from related parties

	30/12/ 2011	31/12/2010
	US$	US$
Andro Namicheisvili	-	1.256
Total	**-**	**1.256**

24.5 Write offs of payables to related parties

	30/12/ 2011	31/12/2010
	US$	US$
AISI Realty LLC	7.711.332	-
Total	**7.711.332**	**-**

24. Related Party Transactions (continued)

24.6 Loans from Aisi Capital Ltd to the Company's subsidiaries

Aisi Capital Ltd, the finance subsidiary of the Company has proceeded to provide capital in the form of loans to the Ukrainian subsidiaries of the Company so as to support the acquisition of assets, development expenses of the projects, as well as various operational costs.

Borrower	Repayment Date	Limit -US$	Already transferred, as of 31/12/2011 US$
LLC "TERMINAL BROVARY"	19/12/2014	35.000.000	32.268.771
LLC "AISI BROVARY"	09/10/2014	40.000.000	4.275.000
LLC "AISI BELA"	19/4/2014	25.000.000	22.915.000
LLC "AISI UKRAINE"	18/10/2014	28.000.000	9.867.786
LLC "ALMAZ PRES UKRAINE"	21/3/2014	10.000.000	170.000
LLC "AISI OUTDOOR"	21/8/2014	5.000.000	2.160.000
LLC "AISI VIDA"	15/10/2014	10.000.000	310.000
LLC "AISI VAL"	15/10/2014	7.000.000	210.000
LLC "AISI ROSLAV"	15/10/2014	10.000.000	310.000
LLC "AISI KONSTA"	15/10/2014	8.000.000	610.000
LLC "AISI ILVO"	15/10/2014	10.000.000	610.000
LLC "AISI DONETSK"	19/11/2014	40.000.000	930.000
LLC "TORGOVI CENTR"	18/10/2014	10.000.000	120.000

25. Contingent liabilities

The Group is involved in various legal proceedings in the ordinary course of its business.

25.1 Tax litigation

The Group performed during the reporting period most of its operations in the Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation, which may be applied retroactively, open to wide interpretation and in some cases, is conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities, that are enacted by law to impose severe fines and penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open for longer. These facts create tax risks which are substantially more significant than those typically found in countries with more developed tax systems. Management believes that it has adequately provided for tax liabilities, based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

At the same time the Group's entities are involved in court procedures with tax authorities; Management believes that the estimates provided within the financial statements present a reasonable estimate of the outcome of these court cases.

25.2 Construction related litigation

There are no material claims from constructors due to the postponement of projects or delayed delivery other than those appearing in the financial statements.

25.3 Other Litigation

Management does not believe that the result of any legal proceedings (including the UVK case - Note 20) will have a material effect on the Group's financial position or the results of its operations other than the one already provided for, within the financial statements.

25. Contingent liabilities (continued)

25.4 Other Contingent Liabilities

The Group had no other contingent liabilities as at 31 December 2011.

26. Commitments

26.1 Capital commitments

The Group has two (2) construction agreements:
a) for the construction of Brovary Logistic Park (Note 20)
b) for the construction of Bella Logistic Center (Note 20)

27. Financial Risk Management

27.1 Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt-equity structure and value enhancing actions in respect of its portfolio of investments. The capital structure of the Group consists of borrowings (note 19), cash and cash equivalents, receivables (note 13) and equity attributable to ordinary shareholders (issued capital, reserves and retained earnings).

The Group is not subject to any externally imposed capital requirements.

Management reviews the capital structure on an on-going basis. As part of the review Management considers the differential capital costs in the debt and equity markets, the timing at which each investment project requires funding and the operating requirements so as to proactively provide for capital either in the form of equity (issuance of shares to the Group's shareholders) or in the form of debt. Management balances the capital structure of the Group with a view of maximizing the shareholder's Return on Equity (ROE) while adhering to the operational requirements of the property assets and exercising prudent judgment as to the extent of gearing.

27.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liabilities and equity instruments are disclosed in note 3 of the financial statements.

27.3 Categories of Financial Instruments

Financial Assets	**Note**	**31/12/2011**	**31/12/2010**
		US$	**US$**
Cash at Bank	15	754.640	291.053
Interest receivable	13	-	658.620
Total		**754.640**	**949.673**
Financial Liabilities	**Note**	**31/12/2011**	**31/12/2010**
		US$	**US$**
Interest bearing borrowings	19	15.813.857	15.570.649
Trade and other payables	20	4.458.389	13.800.944
Finance lease liabilities	23	679.905	636.214
Current and Provisional tax liabilities	22	1.163.810	661.485
Total		**22.115.961**	**30.669.292**

27. Financial Risk Management (continued)

27.4 Financial Risk Management Objectives

The Group's Treasury function provides services to its various corporate entities, coordinates access to local and international financial markets, monitors and manages the financial risks relating to the operations of the Group, mainly the investing and development functions. Its primary goal is to secure the Group's liquidity and to minimize the effect of the financial asset price variability on the cash flow of the Group. These risks cover market risks including foreign exchange risks and interest rate risk as well as credit risk and liquidity risk.

The above mentioned risk exposures may be hedged using derivative instruments whenever appropriate. The use of financial derivatives is governed by the Group's approved policies which indicate that the use of derivatives is for hedging purposes only. The Group does not enter into speculative derivative trading positions. The same policies provide for the investment of excess liquidity. As at 31 December 2011, the Group had not entered into any derivative contracts.

Post August 2011, the priority on cash use and management was set on settling all past liabilities (eliminating thus the relevant legal and financial risks) while maintaining a minimum liquidity to allow for the future development of the Group's strategy.

27.5 Economic Market Risk management

The Group operates in the Region. The Group's activities expose it primarily to financial risks of changes in currency exchange rates and interest rates. The exposures and the management of the associated risks are described below. There has been no change to the Group's manner in which it measures and manages risks.

Foreign Exchange Risk
Currency risk arises when commercial transactions and recognized financial assets and liabilities are denominated in a currency that is not the Group's functional currency. Most of the Group's financial assets are denominated in the functional currency.

Interest Rate Risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. On December 31st, 2011, cash and cash equivalent financial assets amounted to US$754.640 (2010: US$291.053).

The Group is exposed to interest rate risk in relation to its borrowings amounting to US$15.813.857 (2010: US$15.570.649) as they are issued at variable rates tied to the Libor. Management monitors the interest rate fluctuations on a continuous basis and evaluates hedging options to align the Group's strategy with the interest rate view and the defined risk appetite. Although no hedging has been applied for the reporting period, such may take place in the future if deemed necessary in order to protect the cash flow of a property asset through different interest rate cycles.

The Group's exposures to financial risk are discussed also in note 4.

27.6 Credit Risk Management

The Group has no significant credit risk exposure. The credit risk emanating from the liquid funds is limited because the Group's counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Credit risk of receivables is reduced as the majority of the receivables represent VAT to be offset through VAT income in the future.

27.7 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which applies a framework for the Group's short, medium and long term funding and liquidity management requirements. The Treasury function of the Group manages liquidity risk by preparing and monitoring forecasted cash flow plans and budgets while maintaining adequate reserves. The following table details the Group's contractual maturity of its financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities including interest that will be accrued.

27. Financial Risk Management (continued)

27.7 Liquidity Risk Management (continued)

31 December 2011	Carrying amount	**Total**	Less than one year	From one to two years	More than two years
	US$	**US$**	US$	US$	US$
Financial assets					
Cash at Bank	754.640	**754.640**	754.640	-	-
Financial liabilities					
Interest bearing borrowings	15.813.857	**15.813.857**	15.813.857	-	-
Trade and other payables	4.458.390	**4.458.390**	4.094.358	-	364.032
Finance lease liabilities	679.905	**2.641.839**	115.632	116.648	2.409.559
Current and Provisional tax liabilities	1.163.810	**1.163.810**	1.163.810	-	-

31 December 2010	Carrying amount	**Total**	Less than one year	From one to two years	More than two years
	US$	**US$**	US$	US$	US$
Financial assets					
Accounts receivable	3.487.598	**3.487.598**	3.487.598	-	-
Cash at Bank	291.053	**291.053**	291.053	-	-
Financial liabilities					
Interest bearing borrowings	15.570.649	**26.480.061**	1.128.296	2.338.824	23.012.941
Accounts payable	13.907.984	**13.907.984**	13.234.906	673.078	-
Finance lease liabilities	636.214	**2.513.689**	114.739	83.534	2.315.416

28. Events after the end of the reporting period

In January 2012, EBRD notified the Group that certain of the covenants of the Terminal Brovary loan are still in breach, namely covenants related to the required at specific point of time minimum Contract Net Rental Income (CNRI).