AISI REALTY PUBLIC LTD

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

30 June 2009

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30 June 2009

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

Board of Directors

Paul Robert Ensor, Chairman
Besik Sikharulidze, Director
Antonios Achilleoudis, Director
David Mann Flitterman, Director
Franz Hoerhager, Director
Elena Maksimova, Director

Principal Places of Business

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Company Secretary

Totalserve Management Ltd
Totalserve House
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Nominated Adviser

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN
United Kingdom

Broker

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN
United Kingdom

Legal Advisers

Baker & McKenzie - CIS, Limited
Renaissance Business Center
24 Vorovskoho Street
Kiev 01054
Ukraine

Patrikios Pavlou & Co. (Cyprus)
Patrician Chambers
332 Agiou Andreou Str.
3725 Limassol, Cyprus

Directors, Secretary and Advisors (Continued)

Auditors

Baker Tilly Klitou
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Clerimos Building
3022 Limassol
Cyprus

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United Kingdom

Registrars

CLR Securities and Financial Services Ltd
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PO BOX 24616
1301 Nicosia
Cyprus

Bankers

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

ING Bank of Ukraine
30A Spaska Street
Kiev 04070
Ukraine

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2009

	Six months ended	
	30 Jun 2009	30 Jun 2008
	US$	US$
Revenue from operations		
Fair value gains/ (loss) on investment property	**(18,410,447)**	37,822,050
Miscellaneous (costs)/ income, net	**(20,345)**	345,084
Income from investing activities, net	**449,264**	495,239
Expenses		
Administration expenses	**(2,021,779)**	(4,939,255)
Finance (costs)/ income, net	**536,039**	(20,258)
Other (costs)/ income, net	**(878)**	2,346,000
Profit / (loss) before income tax	**(19,468,146)**	36,048,860
Income tax (expense)/ income, net	**2,450**	(9,711,081)
Comprehensive income	**(19,465,696)**	26,337,779
Net comprehensive income attributable to:		
Owners of the parent	**(19,213,250)**	26,470,266
Minority interest	**(252,446)**	(132,487)
	(19,465,696)	26,337,779
Earnings/ (Loss) per share attributable to equity holders of the parent (cent)	**(10.0)**	13.8

The notes on pages 10 to 37 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2009

	30 Jun 2009	30 Jun 2008	31 Dec 2008
	US$	US$	US$
ASSETS			
Non-current assets			
Property, plant and equipment	**165,053**	386,224	207,703
Investment property under construction	**26,506,000**	-	41,867,000
Investment property	**22,153,000**	89,870,000	22,894,000
Intangible assets	**-**	2,003,407	-
Advances for investments	**15,424,000**	10,926,093	15,426,229
Prepayments under development contracts	**1,820,908**	27,154,521	2,511,292
	66,068,981	130,340,245	82,906,224
Current assets			
Accounts receivable	**7,536,248**	10,194,480	6,372,133
Cash and cash equivalents	**9,268**	6,706,626	35,733
	7,545,516	16,901,106	6,407,866
Total assets	**73,614,497**	147,241,351	89,314,090

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 30 June 2009

EQUITY AND LIABILITIES	**30 Jun 2009 US$**	30 Jun 2008 US$	31 Dec 2008 US$
Equity attributable to owners of the parent			
Share capital	**2,283,299**	2,283,299	2,283,299
Share premium	**92,683,930**	92,683,930	92,683,930
(Accumulated losses)/ Retained earnings	**(29,595,205)**	31,405,264	(10,381,955)
Other reserves	**46,710**	-	46,710
Translation reserve	**(2,300,133)**	-	(2,091,777)
	63,118,601	126,372,492	82,540,207
Minority interest	**1,401,544**	920,305	1,635,510
Total equity	**64,520,145**	127,292,797	84,175,717
Non-current liabilities			
Obligations under finance leases	**118,122**	113,928	52,747
Deferred tax liabilities	**-**	16,098,524	-
Accounts payable	**212,410**	-	1,018,414
	330,532	16,212,452	1,071,161
Current liabilities			
Accounts payable	**7,896,826**	3,640,819	3,211,194
Obligations under finance leases	**44,212**	-	33,236
Current tax liabilities	**822,782**	95,283	822,782
	8,763,820	3,736,102	4,067,212
Total liabilities	**9,094,352**	19,948,554	5,138,373
Total equity and liabilities	**73,614,497**	147,241,351	89,314,090

On 29 September 2009 the Board of Directors of Aisi Realty Public Ltd authorised the issue of these financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months period ended 30 June 2009

	Attributable to equity holders of the Parent								
	Share capital US$	**Share premium US$**	**Notes payables from shareholders US$**	**Accumulated loss, net of minority interest US$**	**Other reserves US$**	**Translation difference US$**	**Total US$**	**Minority interest US$**	**Total US$**
Balance as at 1 Jan 2008	**1,881,092**	**92,683,930**	**-**	**5,100,870**	**-**	**-**	**99,665,892**	**754,053**	**100,419,945**
Total comprehensive income/ (loss)	-	-	-	(15,482,825)			(15,482,825)	1,791,363	(13,691,462)
Issue of share capital	402,207	-	-	-	-	-	402,207	-	402,207
Acquisition of minority interest	-	-	-	-	-	-	-	(109,000)	(109,000)
Directors' options	-	-	-	-	46,710	-	46,710	-	46,710
Translation to presentation currency	-	-	-	-	-	(2,091,777)	(2,091,777)	(800,906)	(2,892,683)
Balance as at 1 Jan 2009	**2,283,299**	**92,683,930**	**-**	**(10,381,955)**	**46,710**	**(2,091,777)**	**82,540,207**	**1,635,510**	**84,175,717**
Total comprehensive income/ (loss)	-	-	-	(19,213,251)	-	-	(19,213,251)	(252,446)	(19,465,697)
Translation to presentation currency	-	-	-	-	-	(208,357)	(208,357)	18,480	(189,877)
Balance as at 30 Jun 2009	**2,283,299**	**92,683,930**	**-**	**(29,595,206)**	**46,710**	**(2,300,134)**	**63,118,599**	**1,401,544**	**64,520,143**

The notes on pages 10 to 37 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months period ended 30 June 2009

	Six months ended 30 Jun 2009 US$	Six months ended 30 Jun 2008 US$
Operating activities		
Profit/ (loss) before tax	**(19,468,146)**	36,048,860
Adjustments for:		
Depreciation of property, plant and equipment	**44,200**	218,888
Foreign exchange losses	**(543,236)**	
(Gain)/ Loss on revaluation of investment property	**18,410,447**	(37,822,050)
Other finance expenses	**44,884**	(69,256)
Interest income	**(449,264)**	
Operating profit / (loss) before working capital changes	**(1,961,115)**	(1,623,558)
(Increase)/ Decrease in trade accounts receivable	**(1,164,115)**	(4,013,307)
(Increase)/ Decrease in advances to related parties	**-**	857
(Increase)/ Decrease in prepayments and other current assets	**-**	3,928,133
Increase/ (Decrease) in trade and other payables	**56,324**	1,701,962
Increase/ (Decrease) in payables due to related parties	**1,454,634**	233,460
Increase/ (Decrease) in financial lease liabilities	**(73,240)**	-
Cash flows used in operating activities	**(1,687,512)**	227,547
Investing activities		
(Increase)/ Decrease in prepayments under development contracts	**690,385**	(34,982,885)
(Increase)/ Decrease in advances for investments	**(15,215)**	9,998,745
Increase in payables to constructors	**2,368,669**	-
Additions to investment property	**(1,820,837)**	(12,495,815)
Additions to property, plant and equipment	**-**	(313,957)
Additions to intangible assets	**-**	(4,019)
Acquisition of / Changes in minority interest	**-**	166,251
Cash flows used in investing activities	**1,223,001**	(331,957)
Financing activities		
Proceeds from issue of share capital	**-**	402,207
Net cash from financing activities	**-**	402,207
Effect of foreign exchange rates on cash and cash equivalents	**438,046**	
Net (decrease)/ increase in cash and cash equivalents	**(26,465)**	(37,001,926)
Cash and cash equivalents:		
At beginning of the period	**35,733**	43,708,552
At the end of the period	9,268	6,706,626

The notes on pages 10 to 37 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

1. Incorporation and principal activities

Country of incorporation

The Company was incorporated in Cyprus on 23 June 2005 as a private company with limited liability under the Companies Law, Cap. 113. On 19 March 2006 it was converted into a Public Limited Liability Company, by filing a statement in lieu of prospectus. On 1 August 2007 the Company placed 50.2 million shares which were admitted to trading on the London Stock Exchange (AIM). Its registered office is at Totalserve House, 17 Gr. Xenopoulou Street, 3106 Limassol, Cyprus.

Principal activity

The consolidated financial statements of the Company as at and for six months period ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The principal activity of the Group, which is unchanged from last year, is the investment in Ukraine, especially in Kiev and around the major population centres of Ukraine.

As at 30 June 2009 the Group employed 17 people (31 December 2008:17)

Ukrainian business environment

Country Risks

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 outflow, and low wages for a large portion of the Ukrainian population.

The implementation of reform has been partially impeded by lack of political consensus, controversies over privatisation (including privatisation of land in the agricultural sector), the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors, and the limited extent of cooperation with international financial institutions.

Although Ukraine has made significant gains in increasing its gross domestic product, decreasing inflation, stabilising its currency, increasing real wages and improving its trade balance these reforms 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 monetary policies that have contributed to reduced inflation levels. The most critical structural reforms that need to be implemented or continued include (i) comprehensive reforms of Ukrainian tax legislation with a view to broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy, (ii) reform of the energy sector through the introduction of uniform market-based energy prices and improvement in collection rates (and, consequently, the elimination of the persistent deficits in that sector) and (iii) reform of social benefits and pensions. An economic downturn may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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 are available 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's satisfaction of certain requirements, which may include, among other things, implementation of strategic, institutional and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

1. Incorporation and principal activities (continued)

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.

If Ukraine is unable to resort to the international capital markets or syndicated loan markets in the event of the current international crisis or due to adverse domestic developments, a failure by official creditors and of multilateral organisations such as the IMF, the EBRD, the World Bank and the EU to grant adequate financing could put pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on Ukrainian economy as a whole, and thus, on the Group’s business, results of operations, financial condition and prospects.

More than 20 % of Ukrainian exports of goods currently go to Russia, while much of Russia's exports of energy resources are delivered to the EU via Ukraine. The considerable dependence of the Ukrainian economy on Russian exports of energy resources, accompanied by the increase of the price for natural gas by Russia, may adversely affect the pace of economic growth of Ukraine. Further, the gas price increases have increased pressure for reforms in the energy sector and modernisation of major energy-consuming industries of Ukraine through the implementation of energy-efficient technologies and modernisation of production facilities. However, there can be no assurance that this will take place.

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 and thus on our business, results of operations, financial condition and prospects.

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. 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 have not been in force for significant periods of time, compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, tax laws in Ukraine are subject to frequent changes and amendments, which can result in either a friendlier environment or unusual complexities for the Group and its business generally.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

1. Incorporation and principal activities (continued)

Real estate risks

General considerations relating to property investment

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 and changes in the national, regional and local economic and political climate;
- 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 possession;
- our 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.

The occurrence of any of the above risks may adversely affect the Group, results of operations, financial condition and prospects.

Construction, development and investment risks

The Group is subject to the general risks associated with construction and development projects. Development and construction activities may involve the following risks:

- the Group may be unable to proceed with the development of properties because it may not be able to obtain financing upon favourable terms or at all;

1. Incorporation and principal activities (continued)

- the Group may incur construction costs for a development project which exceed the original estimates due to increased material, labour or other costs, which could make completion of the project uneconomical because the Group may not be able to increase prices to compensate for the increase in construction costs;

- the Group may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy and other governmental permits and authorisations, which could result in increased costs and could require to abandon the activities entirely with respect to a project;

- the Group faces challenges by the Ukrainian authorities in connection with re-zoning or designated use allocation it has obtained or may obtain in the future for land previously categorised as agricultural land;

- the Group may be unable to complete construction and leasing of a property on schedule, resulting in increased debt service expense, construction or renovation costs and potential fines, and/or termination of existing investment agreements, resulting in claims by third parties for damages, or termination of the respective land leases;

- the Group's plans to demolish existing structures for redevelopment on certain properties could expose us to significant costs and liabilities and loss of rights to the underlying land on which such buildings were constructed;

- the Group may lease developed properties at below anticipated rental rates; and

- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, which may result in the Group's investments not being profitable.

Any negative change in one or more of the factors listed above may adversely affect the Group's results of operations, financial condition and prospects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies

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.

Basis of preparation

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 are presented in United States Dollars (US$). 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.

The interim consolidated financial statements for the period six months ending 30 June 2009 were prepared in accordance with IAS 34 Interim Financial Reports for condense interim reporting.

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. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the repayment of liabilities in the normal course of business. The recoverability of Group’s assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The Group incurred a loss before tax of US$ 19,468,146 during the six months period ended 30 June 2009. Even though at 30 June 2009, the Group’s total assets exceed its total liabilities by US$ 82,708,850, the validity of the going concern basis is dependant on the Group’s ability to obtain the necessary funding through new issue of shares or bank facilities in order to complete the development of properties so as to generate income. The actions taken by management to obtain the necessary funding have not yet been finalized. The future viability of the Group depends on these actions. The consolidated financial statements do not include any adjustments should the Group be unable to continue as going concern.

Adoption of new and revised IFRSs

During the current year the Group 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 July 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Standards, Amendments and Interpretations effective in the current period, but not relevant

• IFRS 1	First-time Adoption of IFRS (Allowing first-time adopters to use a deemed cost of either fair value or carrying amount under previous accounting practice to measure the initial cost of investments)	Effective for annual periods beginning on or after 1 January 2009
• IFRS 2	Share Based Payments (Clarification of the term "vesting conditions" and provision of the accounting treatment for non-vesting conditions and cancellations)	Effective for annual periods beginning on or after 1 January 2009
• IFRS 5	Non-current Assets Held for Sale and Discontinued operations (Assets and liabilities of a subsidiary should be classified held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale)	Effective for annual periods beginning on or after 1 July 2009
• IAS 19	Employee benefits (Replacement of the term "fall due", guidance on contingent liabilities, etc.)	Effective for annual periods beginning on or after 1 January 2009
• IAS 20	Accounting for Government Grants and Disclosure of Government Assistance (Concerns government loans with a below-market rate of interest)	Effective for annual periods beginning on or after 1 January 2009
• IAS 29	Reporting in Hyperinflationary Economies (Amendment to description of measurement basis in financial statements)	Effective for annual periods beginning on or after 1 January 2009
• IAS 39	Financial instruments: Recognition and Measurement (Reclassification of derivatives into or out of the classification of at fair value through statement of comprehensive income)	Effective for annual periods beginning on or after 1 January 2009
• IAS 41	Agriculture (Permission to applying pre-tax or post-tax rate under valuation methodology used to determine fair value)	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 15	Agreements for the Construction of Real Estate	Effective for annual periods beginning on or after 1 January 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Standards, Amendments and Interpretations that are not yet effective but have been early adopted by the Group

• IAS 40 • IAS 16	Investment Property Property, Plant and Equipment (Treatment of property under construction as an investment property within the scope of IAS 40, that previously recognised in accordance to IAS 16)	Effective for annual periods beginning on or after 1 January 2009

Standards, Amendments and Interpretations that are not yet effective and have not been early adopted by the Group

• IFRS 3 • IAS 27	Business Combinations Consolidated and separate Financial statements (Amendments of requirements and practice in respect of Partial acquisitions; Step acquisitions; Acquisition-related costs; Contingent consideration; transactions with non-controlling interests)	Effective for annual periods beginning on or after 1 July 2009
• IAS 17	Classification of leases of land and buildings (leases of land should be classified as either finance or operating using the general principles of IAS 17)	Effective for annual periods beginning on or after 1 January 2010. Earlier application permitted
• IAS 38	Amendments to paragraphs 36 and 37 of IAS 38 Intangible Assets to clarify the requirements under IFRS 3(2008) regarding accounting for intangible assets acquired in a business combination.	Effective for annual periods beginning on or after 1 July 2009. To be applied prospectively. Linked to application of IFRS 3(2008)
	Measuring the fair value of an intangible asset acquired in a business combination Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.	Effective for annual periods beginning on or after 1 January 2010. To be applied prospectively. Earlier application permitted

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Standards, Amendments and Interpretations that are not yet effective and not relevant for the Group's operations

• IFRS 2	Amendment to confirm that, in addition to business combinations as defined by IFRS 3(2008) Business Combinations, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share-based Payment.	Effective for annual periods beginning on or after 1 July 2009
• IFRS 5	Disclosures required in respect of noncurrent assets (or disposal groups)classified as held for sale or discontinued operations.	Effective for annual periods beginning on or after 1 January 2010. To be applied prospectively. Earlier application permitted
• IFRS 8	Disclosure of information about segment assets.	Effective for annual periods beginning on or after 1 January 2010. Earlier application permitted
• IAS 1	Current/non-current classification of convertible instruments.	Effective for annual periods beginning on or after 1 January 2010. Earlier application permitted
• IAS 7	Classification of expenditures on unrecognised assets (only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities)	Effective for annual periods beginning on or after 1 January 2010. Earlier application permitted
• IAS 18	Determining whether an entity is acting as a principal or as an agent.	Not applicable, as the appendix is not part of the Standard
• IAS 36	Unit of accounting for goodwill impairment test	Effective for annual periods beginning on or after 1 January 2010. To be applied prospectively. Earlier application permitted.
• IAS 39	Clarification that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.	Effective for annual periods beginning on or after 1 January 2010. Earlier application permitted
	Amendments to the scope exemption in paragraph 2(g) of IAS 39 Financial Instruments: Recognition and Measurement to clarify that: • it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; • the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction;	Effective for annual periods beginning on or after 1 January 2010. To be applied prospectively to all unexpired contracts. Earlier application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

	and • the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.	
	Cash flow hedge accounting The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.	Effective for annual periods beginning on or after 1 January 2010. To be applied prospectively to all unexpired contracts. Earlier application permitted
	Hedging using internal contracts (Entities should no longer use hedge accounting for transactions between segments in their separate financial statements).	Effective for annual periods beginning on or after 1 January 2009. Earlier application permitted
• IFRIC 9	Amendment to confirm that, in addition to business combinations as defined by IFRS 3(2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9.	Effective for annual periods beginning on or after 1 July 2009. To be applied prospectively
• IFRIC 16	Amendment to the restriction on the entity that can hold hedging instruments (Hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged).	Effective for annual periods beginning on or after 1 July 2009. Earlier application permitted
• IFRIC 17	Distributions of Non-cash Assets to Owners.	Effective for annual periods beginning on or after 1 July 2009
• IFRIC 18	Transfers of Assets from Customers.	Effective for annual periods beginning on or after 1 July 2009

2. Summary of significant accounting policies (continued)

Basis of consolidation

The Group 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	Holding %	
		at 31 Dec 2008	at 30 Jun 2009
Aisi Capital Limited	Cyprus	100	100
LLC Aisi Ukraine	Ukraine	100	100
LLC Aisi Brovary	Ukraine	100	100
LLC Almaz-pres-Ukrayina	Ukraine	55	55
LLC Aisi Bela	Ukraine	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 Trade Center	Ukraine	100	100
LLC Terminal Brovary	Ukraine	100	100
LLC Krius	Ukraine	100	100
LLC Ukr-Contract	Ukraine	100	100

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

All entities of the Group, except from Aisi Realty Public Limited and Aisi Capital Ltd maintain their accounting records in Ukrainian Hryvnia. Aisi Realty Public Limited and Aisi Capital Ltd maintain their accounting records in US Dollars.

The management believes that the US Dollar reporting will better reflect the economic substance of the underlying events and circumstances relevant to the Group. Based on that the Group's management has determined that the functional currency is the US Dollar.

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 IFRSs.

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;
- All resulting exchange differences are recognised as a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

- 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 for 6 months ended		**Closing**		
Currency	30 Jun 2009	30 Jun 2008	30 Jun 2009	31 Dec 2008	30 Jun 2008
US$	7,6780	5,0064	7,6303	7,7000	4,8489

The Group's financial statements consolidate the financial statements of the Group and all its subsidiary undertakings for the six months period ended 30 June 2009.

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. In the Group's financial information, investments in subsidiaries are accounted for under the acquisition method.

Where necessary, adjustments are made to the consolidated financial information of subsidiaries to bring the accounting policies used in line with those used by the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current 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, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, net result from transactions with securities, foreign exchange gains and losses, and bank charges and commission.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Foreign currency translation

Functional and presentation currency

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, Ukrainian Hryvnia, is the functional currency for all the Group’s entities, except for the Company and its subsidiary Aisi Capital Ltd for which United States Dollar is the functional currency. The financial statements are presented in United States Dollars (US$).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income as part of finance costs.

Income from investing activities

Income from investing activities includes profit received from disposal of investments in the company’s subsidiaries and associates, income accrued on advances for investments outstanding as at the year end, and bank interest.

Tax

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

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the statement of financial position date.

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 recognised 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.

All the subsidiaries of the Group, except for Aisi Capital Limited are incorporated in Ukraine and the parent of the Group is 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 project. However, in the event that a decision is taken in the future to dispose of any project 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.

2. Summary of significant accounting policies (continued)

Property, plant and equipment

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

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 used are as follows:

	%
Leasehold	20.00
Citylights	20.00
Motor vehicles	33.33
Furniture, fixtures and office equipment	20.00
Software and hardware	33.33

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 statement of financial position 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.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

Operating segments analysis

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

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised 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 statement of financial position date, the company 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,

2. Summary of significant accounting policies (continued)

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.

Other property expenses

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

Investment property

Investment property, principally comprising freehold and leasehold land and investment properties held for future development, is held for long-term rental yields or capital appreciation or both and is not occupied by the Group. Investment property is 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.

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

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

The Group has decided to take advantage of the permission allowed in IAS 40 “Investment Property” to apply the amendments to investment property under construction in the financial statements of 2008 and thereafter. Investment property under construction was valued at fair value for the first time in 2008.

The property is classified in accordance to 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 intention to use.

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, on 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

2. Summary of significant accounting policies (continued)

construction until construction or development is complete. At that time, it is reclassified and subsequently accounted for as investment property.

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.

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.

Basis of valuation

The fair values reflect market conditions at the statement of financial position date. These valuations are reviewed periodically by DTZ Kiev B.V. (hereafter "appraisers"), chartered surveyors.

The valuations have been carried out by 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, 5th Edition (the "Red Book"). This is an internationally accepted basis of valuation.

In arriving at opinions of Market Value, the appraisers have also arrived at opinions of current estimated net annual rent. These are assessed on the assumption that they are the best rent at which a new letting of an interest in property would have been completed at the date of valuation assuming:

- a willing landlord;
- 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;
- 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, the same as on the valuation date;
- that no account is taken of any additional bid by a prospective tenant with a special interest;
- that where relevant the length of term and principal conditions assumed to apply to the letting and other tenants terms are the same as those set out in the rent review clause contained in the occupational lease which we confirm are not exceptionally onerous or beneficial for letting of the type and class of the subject property and;
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

Assumptions and Sources of Information

The valuation of the Property was prepared on the basis of a number of "Special Assumptions". In this respect, a Special Assumption is referred to in the Red Book as an Assumption that either:

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Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Requires the valuation to be based on facts that differ materially from those that exits at the date of valuation; or

Is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances

With regard to this Valuation Report, the appraisers are of the opinion that the Special Assumptions set out below are valid, realistic and relevant.

Adopted development commencement dates and construction periods in respect of each property have been made in isolation of the remaining properties also subject to development. As a result, the valuations reported do not reflect the effect of numerous properties being developed simultaneously or being released to the market at the same time.

An assumption that was made details all matters likely to affect value within their collective knowledge such as prospective lettings, outstanding requirements under legislation and planning decisions have been made available and that the information is up to date.

In those instances where full ownership rights for the existing improvements are held but the granting of a ground lease is awaited we have assumed that there will be no unforeseeable additional costs or delays in comparison to those generally experienced and that such rights are in due course obtained.

In those instances where investment contracts are held for the developments of properties, the valuations are on the basis that a ground lease and an ownership certificate will be obtained by the developer upon completion of the development and this is in line with normal market practice in Ukraine.

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. It should be noted, however, that very few leasehold interests have yet to reach termination and, hence, the effective ability to renew on such a basis is relatively untested. 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 capable of assignment, 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 capable of assignment.

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 arrived at on the basis of these agreed agreements.

In those instances where the properties are held in part ownership, the valuations assume that these interests are capable of sale in the open market without any restriction from the co-owner and that there are no encumbrances within the share agreements which would impact upon 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. The valuation is, however, net of purchaser’s acquisition costs.

In terms of the Assumptions and Special Assumptions, it was confirmed that Assumptions are correct as far

2. Summary of significant accounting policies (continued)

as they are aware. In the event that any of the Assumptions prove to be incorrect, the valuations contained in this valuation report should be reviewed and modified as necessary.

Valuation Model

Valuers constructed a Discounted Cash Flow model. DCF analysis is a financial modelling 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. In the same manner as in an investment analysis, the present value of expected future cash flows is estimated using the discount rate. The forecast is based on the assessments of market sales prices for comparable premises, build rates, sales costs levels etc from the point of view of a probable developer.

In order to achieve a degree of concurrence among the results of different valuers' estimates certain basic criteria are applied, such as that the analysis is made in the current (nominal) monetary value, the minimum analysis period adequate to replicate how hypothetical operators in the market would act when being party to a transaction, with the payments should be scheduled in such a way that they reflect actual cash flows as accurately as possible.

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 or business. In this case, it is a development property and thus estimates of capital outlays, development costs, and anticipated sales income are applied to arrive at a series of net cash flows that are then discounted over the projected development and marketing periods. The Net Present Value (NPV) could represent what someone might be willing to pay for the site and is therefore an indicator of market value.

In the event that development commencement and delivery dates are not met then, this may adversely affect the NPV. The DCF valuation has been made incorporating some very general assumptions in relation to site preparation, build costs, phasing and timing. Once further investigations into ground conditions, fell design, build costs and allowable phasing are established, these findings will likely lead to a difference in assessed value. All the payments are projected in nominal US dollar amounts and thus no inflation of local currency is considered.

Valuation Approach

In addition to the above general valuation methodology, the appraisers would point out the following bases of valuation we have taken into account in arriving at Market Value:

Pre Development

In those instances where the nature of the 'Project' has been agreed with the City Authorities, it was assumed that the subject property will be developed in accordance with this blueprint, unless the appraisers have considered it prudent to adopt their own assumed concept.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

some instances the appraisers have adopted the budgeted costs provided, in some cases the appraisers' own opinions of costs were used.

Where there are outstanding payments to be made in respect of the acquisition of rights or costs of permitting, the appraisers have adopted those figures for calculation. In addition, with regard to outstanding costs for the provision of utilities together with the undertaking any road or transport works those figure was also accounted for.

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 anticipated during the anticipated development periods concerned.

The assumption was made that upon completion, the properties will be let in line with market practices in terms of lease lengths, indexation of rents and recoverability of costs. The length of lease will vary depending upon the property type but, generally, these tend to be for periods of between three and five years. In terms of indexation, the appraisers have not explicitly reflected the indexation of rents in arriving at their opinions of value. The standard letting fees were assumed within the valuations.

Upon completion of construction the appraisers have adopted their opinion of an appropriate holding period prior to the sale of the property. This period represents their considered view of the period a developer would hold the property in order to reach a target occupancy level and to be able to demonstrate a stable income flow to potential investors.

In arriving at their estimates of gross development value ("GDV"), the appraisers have capitalised 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 capitalised into perpetuity. All rents are exclusive of VAT.

The capitalisation rates adopted in arriving at the opinions of GDV reflect the appraisers' opinions of the rates at which the properties could be sold for on the assumption that they are completed as at the date of valuation. The adopted capitalisation rates reflect the appraisers' opinions of where they consider rates to be at present, although as a result of a lack of transparency in the market, and a relatively limited number of concluded transactions, this is a subjective exercise to a certain extent.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets, comprising of advertising rights are measured initially at purchase cost. Based on the normal market practice on prolongation of these rights the company considers these intangible assets as the assets with indefinite useful lives.

Subsequently to initial measurement the intangible assets are tested annually for impairment in accordance with IAS 36 by comparing their recoverable amount with their carrying amount.

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.

The Group as lessee

Assets held under finance leases are recognised 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 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 the statement of comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Lease payments are analysed 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.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

2. Summary of significant accounting policies (continued)

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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).

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.

Earnings and Net Assets Value per share

The Group presents basic and diluted earnings per share (EPS) and net assets and adjusted net asset value per share (NAV) for its ordinary shares. Basic EPS and NAV amounts are calculated by dividing net profit for the year, and net assets value as of year end, attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing net profit for the year, as of year end, 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.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds in share premium.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. Summary of significant accounting policies (continued)

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the statement of financial position date.

Comparative information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

3. Financial risk management

Financial risk factors

The Group is exposed to liquidity risk, currency risk, operational risk, compliance risk, litigation risk, reputation risk, price risk, share ownership 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.

(1) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(2) 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 recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Ukrainian Hryvnia. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(3) 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) 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. The risk is limited by the monitoring controls applied by the Group.

(5) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

3. Financial risk management (continued)

(6) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Group. 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. The Group applies procedures to minimize this risk.

(7) Price risk

The Group is exposed to property rentals and capitalisation yield risk.

As at 30 June 2009, if the rental price had changed by 5% or the capitalization yield had increased/decreased by 1%, with all other variables held constant, the fair value of the commercial projects would have been as follows:

Commercial property

Project	**Rental price**		**Capitalisation yield**		**Carrying value as at 30 Jun 2009**
	5%	**-5%**	**-1%**	**1%**	
Brovary Logistics Center	15,955,824	13,037,131	16,778,217	12,561,464	14,500,000
Bela Logistics park	14,236,721	9,768,092	15,058,114	9,338,830	12,006,000

Provided that rental price of commercial property decrease by 5%, that may lead to decrease of carrying value of investment property under construction at 30 June 2009 by 11.97% or US$ 3,172,768. The increase of rental price by 5% may lead to increase of carrying value of investment property under construction at 30 June 2009 by 11.91% or US$ 3,156,864.

The decrease of capitalisation yield by 1% may result in increase of carrying value of investment property under construction at 30 June 2009 by 17.88% or US$ 4,739,272. The increase of capitalisation yield by 1% may result into decrease of carrying value of investment property under construction by 15.41% or US$ 4,084,574.

As at 30 June 2009, if the sales price had changed by 5%, with all other variables held constant, the fair value of the residential projects would have been as follows:

Residential property

Project	**Sales price**		**Carrying value as at 30 Jun 2009**
	-5%	**5%**	
Tsymliansky Lane	2,805,705	3,831,501	3,839,000
Kyanivsky Lane	16,943,000	20,724,114	18,834,000

Provided that sales price of residential property had decreased by 5%, it may lead to decrease of carrying value of investment property at 30 June 2009 by 11.47% or US$ 2,600,593. The increase of sales price of residential property by 5% may lead to increase of carrying value of investment property at 30 June 2009 by 11.47% or US$ 2,624,533.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

3. Financial risk management (continued)

(8) Share ownership risk

The risk of share ownership arises from the investment in shares/participation of The Group and is a combination of credit, price and operational risk as well as the risk of compliance and loss of reputation. The Group applies procedures of analysis, measurement and evaluation of this risk in order to minimize it.

(9) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. While the Group's overall strategy remains unchanged from last year, the Board of Directors has decided not to proceed with the acquisitions currently under Preliminary Agreements. The Group is working on recovering advances granted under Preliminary and Mortgage Agreements

(10) Other risks

The principal activities of the Group are carried out in Ukraine. As stated in the Directors' Report such markets (emerging markets) are subject to various significant risks, including but not limited to political, market, economic, and legal risks. In addition it is widely believed that in such emerging markets, the complexity of approval process exists in many levels of the processes.

(11) Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the statement of financial position date.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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:

- **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.

- **Fair value of investment property**

  The fair value of investment property is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The fair value of the investment property has been estimated based on the fair value of their individual assets.

- **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 exempted from any tax.

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5. Share capital

	30 Jun 2009 Number of shares	**30 Jun 2009 Share Capital US$**	**30 Jun 2009 Share Premium US$**	30 Jun 2008 Number of shares	30 Jun 2008 Share Capital US$	30 Jun 2008 Share Premium US$
Authorised						
Ordinary shares of CY£0.01 each converted into EUR0.01 each	875,000,000	-	-	875,000,000	-	-
Issued and fully paid						
At 1 January	192,194,975	2,283,299	92,683,930	166,191,829	1,881,092	92,683,930
Issue of shares	-	-	-	26,003,146	402,207	-
At 1 July	192,194,975	2,283,299	92,683,930	192,194,975	2,283,299	92,683,930

On 27 June 2008 the issued share capital was increased by 402,207 US$ as the result of the exercise of warrants assigned to the Company's Founding Shareholders.

On 30 April 2007, the nominal share capital of the Company was converted into EUR8.75 million divided into 875 million new ordinary shares of EUR0.01 each by the cancellation of the existing ordinary shares and the issuance of 7 new ordinary shares for every 4 ordinary shares held at the above date by the shareholders of the Company.

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

Weighted average number of ordinary shares

	30 Jun 2009 Number
Issued ordinary share capital at 1 January	192,194,975
Ordinary shares additionally issued	-
Issued ordinary shares capital at 30 June	192,194,975
Weighted average number of ordinary shares	192,194,975
Diluted weighted number of ordinary shares	192,194,975

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

Basic, diluted and adjusted earnings per share

	30 Jun 2009 Profit after tax US$	*30 Jun 2009 Earnings per share US$*
Basic	**(19,213,251)**	**(0.10)**
Diluted	**(19,213,251)**	**(0.10)**
Market value of investment property under construction	-	-
Deferred tax on revaluation of investment properties	-	-
Minority interest, net	-	-
Adjusted	**(19,213,251)**	**(0.10)**

Net assets per share

	30 Jun 2009 Net assets	*30 Jun 2009 Number of shares*	*30 Jun 2009 Net assets per share*
Basic	**63,118,599**	**192,194,975**	**0.33**
Diluted	**63,118,599**	**192,194,975**	**0.33**
Deferred tax on revaluation of investment properties	-	192,194,975	-
Market value of investment property under construction	-	192,194,975	-
Minority interest, net	-	192,194,975	-
Adjusted	**63,118,599**	**192,194,975**	**0.33**

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7. Contingencies

The Group is involved in various legal proceedings in the ordinary course of its business. The Group considers the risk of successful litigation against the Group to be insignificant and assesses risk of cash outflow as remote. No provision for contingencies has been made as at 30 June 2009.

A number of the land leases are held for relatively short term and place an obligation upon the lessee to commence development prior to expiration date of the lease agreement. In the event that a development has not commenced upon the expiry of a lease, the City Authorities are entitled not to extend the lease agreement on the basis that the land is not used in accordance with its designation. Furthermore, in order to extend the lease agreement all necessary permissions and consents for development have to be presented to the authorities. However the management believes that the possibility of such action is remote and was taken only under limited circumstances in the past. In undertaking the valuations reported herein, DTZ Kiev have made the assumption that no such circumstances will arise to permit the City to rescind the land lease or not to grant a renewal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Six months ended 30 June 2009

8. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Jun 2009 US$	31 Dec 2008 US$
Within one year	**37,328**	81,953
Between one and five years	**172,029**	220,424
After five years	**1,845,281**	1,894,586
	2,054,638	2,196,963

Operating commitments

The Group has entered into construction agreements with the constructors of investment property that was recognized as investment property under construction as at 30 June 2009. These agreements resulted in capital commitments amounting to US$ 57,371,373 at 30 June 2009.

9. Post balance sheet events

In view of continued market uncertainty, the Group has decided to focus on the development and completion of its core project – Brovary Logistics Centre and phased development and completion of Bela Logistics Park.

In January 2009 the Group entered into a loan facility agreement with the European Bank for Reconstruction and Development ("EBRD") for US$ 34.4m of project finance for Brovary Logistics Centre. The EBRD financing will comprise an US$34.4m senior loan of which at least US$17.20m may be syndicated to commercial banks. EBRD has agreed to release immediately $13.25 m without the participation of a syndicate bank provided all equity requirements and Condition Precedents are met.

Raised $5.4 million (before expenses) in additional funding by way of a placing of shares with new and existing investors.

Proceeds of the Placing have been used by the Company primarily to finance the construction of Brovary Logistics Center to meet the equity spending requirement for accessing the EBRD funding facility, which will enable the completion of the project.

On 24 September, Marfin Popular Bank Public Co. Ltd of Cyprus ("Marfin Bank") signed a participation agreement with EBRD for syndication of the first tranche of funding, which will amount to $16 million.

Renewed agreement with UVK, a leading Ukrainian logistics operator, for the pre-letting of Brovary Logistics Center, covering a 10-year lease term commencing January 2010.