AISI REALTY PUBLIC LTD
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 December 2009

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

Board of Directors

Paul Robert Ensor, Chairman
Besik Sikharulidze
Antonios Achilleoudis
Franz Hoerhager

Principal Places of Business

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Kiev 04070
Ukraine

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Suite 605
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USA

Registered Address

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Limassol 3106
Cyprus

Company Secretary

Totalserve Management Ltd
Totalserve House
17 Gr. Xenopoulou Street
Limassol 3106
Cyprus

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 and Partners Limited
11 Bouboulinas Street
1060 Nicosia
Cyprus

Registrars

CLR Securities and Financial Services Ltd
CLR House
26 Byron Avenue 1096
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Cymain Registrars Limited
P.O. Box 2579
1311 Nicosia
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Bankers

Bank of Cyprus Public Company Ltd
P.O. Box 24884
1398 Nicosia
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PJSC Erste Bank
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Kiev 01034
Ukraine

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

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited consolidated financial statements of Aisi Realty Public Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2009.

Principal activity

The principal activity of the Group, which is unchanged from last year, is the investment in real estate in major population centres in Ukraine, with a particular focus on the capital city, Kiev.

Review of current position, future development and significant risks

Whilst we have only one bank debt and numerous uncharged assets, the Group's financial position as presented in the financial statements is not considered satisfactory by the Directors, and they have been working on a number of strategic opportunities to make the Group's operations profitable.

In November and December of 2009, the Group received two disbursements totalling US$16m of the first tranche of the EBRD syndicated loan facility of up to US$34.4m which allowed the Group to complete the Brovary Warehouse, albeit with severe winter weather related delays. This is the only bank debt of the Group.

We have not been able to complete our pre-lease agreement with UVK as signed and announced in July 2009 on mutually acceptable terms. We have therefore placed the property into the leasing market and are pleased to report that we have commenced negotiations (some being at an advanced stage) with a number of international logistics operators, and expect a positive conclusion in the near future, which should provide improved visibility on the ongoing cash generation of the property.

The Board of Directors has discussed and agreed on the potential structure of the management internalisation which will be proposed to shareholders at a General Meeting in the coming few weeks.

Considering the current market conditions, the Board of Directors has decided to focus the strategy of the Group away from speculative development to investing in income generating assets. The focus will now be on warehouses and big box retail, with well established international tenants with long term leases. We have built a strong pipeline of potential new investments. All other non-core assets will be used to generate additional equity for implementing a new strategy. This change of investment strategy will also be put for shareholder vote at the upcoming General Meeting.

While the Group is expecting cash inflows from the Brovary property to commence in the near term it is working on addressing its immediate liquidity issue through other means of finance as well as recovering advances made for pipeline projects. In addition we are talking to a number of potential joint venture financial partners.

Results and Dividends

The Group's results for the year are set out on page 12. The Board of Directors does not recommend the payment of a dividend.

Share Capital

There were no changes in the share capital of the Company during the year.

REPORT OF THE BOARD OF DIRECTORS

Share Option for Directors

On 25 July 2007, the Company adopted a share option scheme for each of the Directors as at that date. Under the Option scheme, which was approved by the members on 31 March 2008, each director is entitled to subscribe for 263,158 Ordinary shares exercisable as set out below:

	Exercise Price US$	Amount of Shares
Exercisable from admission of the Company to AIM till 1 August 2017	0.57	175,439
Exercisable from 1st anniversary to AIM till 1 August 2017	0.83	87,719

On 12 October 2007, the Company adopted a share option scheme for its Director Franz M. Hoerhager which entitles him to subscribe for 182.917 Ordinary shares exercisable as set out below:

	Exercise Price US$	Amount of Shares
Exercisable immediately after the Appointment till 1 August 2017	0.40	121,929
Exercisable from 1st anniversary to AIM till 1 August 2017	0.50	60,988

If a director resigns from the Board any unvested options lapse, unless the Directors resolve otherwise.

The above options were approved, verified and adopted in every respect by the members of the Company in General Meeting on 31 March 2008.

The Company recognized respective equity reserve for share options in the statement of financial position as at 31 December 2009 in the amount of US$ 68,390.

Founding Shareholder Warrants

The Board of Directors approved the issue of warrants to the Founding Shareholders of the Company, entitling them to subscribe at par value per ordinary share, for such a number of ordinary shares which when multiplied by US$0.57 equals 100% of the difference between the market value of the Company's interest in its Investment Portfolio at the date of Admission to AIM (1 August 2007) and six months following admission to AIM (1 February 2008), net of direct project cash costs, and net gain proceeds from the sale of Tarasovskaya project, that was made in May 2007.

Additional 26,003,146 ordinary shares were issued on 27 June 2008 in relation to the exercise of these warrants at par value of Euro 0.01 per share.

Tudor BVI Global Portfolio Ltd Warrants

The Company granted to a shareholder, Tudor BVI Global Portfolio Ltd, warrants to subscribe for 10,937,500 Ordinary shares at the exercise price of US$0.64 per share.

The exercise date is within 30 days following the first anniversary of admission to AIM (1 August 2008).

The above warrants were approved, verified and adopted in every respect by the members of the Company in General Meeting on 31 March 2008.

The above warrants have expired since they were not exercised by 30 September 2008.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors

The members of the Company's Board of Directors as at 31 December 2009 and at the date of this report are presented on the page 3. On 7 November 2009 Mr. David Dorival Flitterman and on 24 December 2009 Mrs Elena Maksimova resigned from the Board of Directors. All Directors are non executive except for Mr. Besik Sikharulidze who is a member of the Board of Aisi Realty Capital, the Investment Manager for the Group.

In accordance with the Company's Articles of Association Mr. Franz M. Hoerhager retires by rotation and being eligible offers himself for re-election.

All Directors have entered into service agreements and have received options as per Note 11 of the financial statements.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Significant events that occurred after the end of the year are described in Note 31 to the financial statements.

Independent Auditors

The independent auditors, Baker Tilly Klitou and Partners Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors

Paul Robert Ensor
Chairman

Limassol 6 July 2010

ΣΕΛΚ
ICPAC
Quality Checked

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Independent Auditors' Report (continued)

To the members of Aisi Realty Public Ltd

Independent Auditors' Report
To the Members of Aisi Realty Public Limited
Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Aisi Realty Public Limited and its subsidiaries (the "Group") on pages 12 to 58, which comprise the consolidated statement of financial position as at 31 December 2009, 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 notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 financial statements.

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

Basis for Qualified Opinion

As at 31 December 2009 the Group was in breach of certain covenants relating to the loan from EBRD of US$15.529.412, presented in non-current liabilities. As a result of these breaches, the liability is repayable on demand. International Accounting Standard IAS1- "Presentation of Financial Statements" requires that liabilities payable on demand be presented as part of current liabilities. Had the Group presented the above liability as current, non-current liabilities would have decreased by US$15.529.412 and current liabilities would have increased by the same amount as at 31 December 2009.

To the members of Aisi Realty Public Ltd

Qualified Opinion

In our opinion, except for the effect of the matter referred to in the basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap113.

Emphasis of Matter

Without qualifying our opinion in this respect, we draw your attention to notes 2, 15, 16, 28 and 29 of the financial statements, which describe the following issues:

Going concern

We have considered the adequacy of the disclosure in note 2 to the consolidated financial statements concerning the group's ability to continue as a going concern. The group incurred a loss before tax of US $39,172,251 during the year ended 31 December 2009. Even though at 31 December 2009 the Group's total assets exceed its total liabilities by US$50,986,486 the validity of the going concern basis is dependent on the Group's ability to obtain the necessary funding in order to complete the development of the properties so as to generate income. The actions taken by management to obtain the necessary funding are ongoing and have not yet been finalized. The future viability of the Group depends on the outcome of these actions. Furthermore, as stated in the Basis for Qualified Opinion paragraph above, the Group is in breach of certain covenants relating to the loan from EBRD of US$15.529.412. These conditions, along with other matters explained in note 2 to the group 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 financial statements on the going concern basis. If the adoption of the going concern basis was inappropriate, adjustments, which it is not practicable to quantify, would be required, including those to write down assets to their recoverable amount, to reclassify non current assets as current assets and to provide for any further liabilities that may arise.

Valuation of investment properties

The valuation of these investment properties as indicated in notes 2, 15 and 16 to the financial statements are prepared by independent Chartered Surveyors, DTZ Kiev B.V. (DTZ) 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 DTZ should be revised accordingly. The most critical assumptions used for the valuations are as follows:

The 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. The valuations reported do not consider the associated financial risks involved in raising the appropriate funds needed to complete such a huge development plan.

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 by Ukrainian authorities 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 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 their opinion, DTZ have assumed that the respective ground leases are capable of extension in accordance with the terms of each lease. Also in arriving at their valuation, DTZ have applied an approach as to discount ratio determination in relation to the risk involved in each phase of the project as well as to other valuation parameters. IAS 40 "Investment Property" defines fair value as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of investment property shall reflect market conditions at the last day of the reporting period.

In some instances the Group is still in the process of obtaining rights and planning permissions to a number of properties. DTZ have valued these properties on the Special Assumption that these rights and planning permissions will be obtained after the last day of the reporting period.

The most critical limiting conditions of the valuations are as follows:

The method used for the calculation of the value of properties under construction development is based upon the development potential and has a somewhat restricted nature due to the fact that the development projects have to be successfully implemented. While DTZ analyzed the basic elements of the projects, they were not instructed to provide feasibility study of the proposed projects. The value determined through this method is a market one only in case of full and timely implementation of the projects.

As stated in Note 31, the appraisal of investment property as at 31 December 2009 was performed by DTZ and was completed in February 2010. The fair values of the investment property reflect market conditions at the last day of reporting period. These property appraisals are performed using "Red Book" standards, and are also based on conservative and realistic assumptions agreed by appraisers and management. The valuation reflects market conditions as 31 December 2009. Since that time, market conditions may have changed with resulting changes in the valuation of the investment properties.

Contingencies

As stated in Note 28, 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 Authority 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.

In addition, the 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, DTZ have made the assumption that no such circumstances will arise to permit the City Authority to rescind the land lease or not to grant a renewal.

Country risk

The principal activities of the Group are carried out in Ukraine. As stated in note 1 of the financial statements 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. The Government and the City Councils have started adopting crucial measures to fight this system inefficiency, however these are at their preliminary stages.

Commitments

As stated in the Note 29, the Group has entered into construction agreements with the constructors of investment property that was recognised as investment property under construction as at 31 December 2009. These agreements resulted in capital commitments amounting to US$ 52,985,041 as at 31 December 2009.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, 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 Company's 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, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors on pages 5 to 7 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 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other person to whose knowledge this report may come to.

Baker Tilly Klitou and Partners Limited

Nicosia, 6 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	Note	2009 US$	2008 US$
Revenue from operations			
Fair value (losses)/gains on investment property	15,16	**(17,470,085)**	25,665,532
Other income, net		**(523)**	340,281
		(17,470,608)	26,005,813
Income from investing activities	7	-	1,166,406
Expenses			
Administration expenses	5	**(5,946,723)**	(6,928,048)
Finance costs, net	6	**(4,872,270)**	(36,778,178)
Other expenses, net	8	**(10,882,650)**	(2,534,582)
Loss before tax		**(39,172,251)**	(19,068,589)
Tax	9	**(10)**	5,377,127
Net loss for the year		**(39,172,261)**	(13,691,462)
Other comprehensive income		-	-
Total comprehensive income for the year		**(39,172,261)**	(13,691,462)
Loss and total comprehensive income attributable to:			
Equity holders of the parent		**(38,901,144)**	(15,482,825)
Non controlling interest		**(271,117)**	1,791,363
		(39,172,261)	(13,691,462)
Losses per share attributable to equity holders of the parent (cent)	13	**(20,2)**	(8.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2009

	Note	**2009** US$	2008 US$
ASSETS			
Non-current assets			
Property, plant and equipment	14	**72,764**	207,703
Investment property under construction	15	**35,319,000**	41,867,000
Investment property	16	**22,873,000**	22,894,000
Advances for investments	18	**9,297,945**	15,426,229
Prepayments under development contracts		**-**	2,511,292
VAT non-current	23	**3,213,709**	-
		70,776,418	82,906,224
Current assets			
Accounts receivable	19	**1,776,063**	6,372,133
Cash and cash equivalents	20	**5,020,657**	35,733
		6,796,720	6,407,866
Total assets		**77,573,138**	89,314,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2009

EQUITY AND LIABILITIES		2009 US$	2008 US$
Equity and reserves attributable to owners of the parent			
Share capital	10	**2,283,299**	2,283,299
Share premium	10	**92,683,930**	92,683,930
Accumulated losses		**(49,283,099)**	(10,381,955)
Advances for issue of shares	10	**4,987,972**	-
Other reserves	11	**68,390**	46,710
Translation reserve		**(1,069,992)**	(2,091,777)
		49,670,500	82,540,207
Non-controlling interest		**1,315,986**	1,635,510
Total equity		**50,986,486**	84,175,717
Non-current liabilities			
Long – term borrowings	21	**15,529,412**	-
Obligations under finance leases	22	**589,249**	52,747
Accounts payable	25	**766,365**	1,018,414
		16,885,026	1,071,161
Current liabilities			
Short – term borrowings	21	**508,555**	-
Accounts payable	25	**8,534,465**	3,211,194
Obligations under finance leases	22	**73,675**	33,236
Current tax liabilities	26	**510,240**	822,782
Provision on contingent liabilities	28	**74,691**	-
		9,701,626	4,067,212
Total liabilities		**26,586,652**	5,138,373
Total equity and liabilities		**77,573,138**	89,314,090

On 6 July 2010 the Board of Directors of Aisi Realty Public Ltd authorised the issue of these financial statements.

Paul Robert Ensor
Director

Besik Sikharulidze
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Attributable to equity holders of the Parent								
	Share capital US$	Share premium US$	Accumulated loss US$	Other reserves (Note 11) US$	Advances for issue of shares (Note 10) US$	Translation reserve US$	Total US$	Non-controlling interest US$	Total US$
Balance as at 1 January 2008	**1,881,092**	**92,683,930**	**5,100,870**	**-**	**-**	**-**	**99,665,892**	**754,053**	**100,419,945**
Total comprehensive income for the year	-	-	(15,482,825)	-	-	-	(15,482,825)	1,791,363	**(13,691,462)**
Issue of share capital	402,207						402,207		**402,207**
Acquisition of non-controlling 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 31 December 2008	**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 for the year	-	-	(38,901,144)	-	-	-	(38,901,144)	(271,117)	**(39,172,261)**
Advances from shareholders	-	-	-		4,987,972	-	4,987,972	-	**4,987,972**
Translation to presentation currency	-	-	-	-	-	1,021,785	1,021,785	(48,407)	**973,378**
Directors' options	-	-	-	21,680	-	-	21,680	-	**21,680**
Balance as at 31 December 2009	**2,283,299**	**92,683,930**	**(49,283,099)**	**68,390**	**4,987,972**	**(1,069,992)**	**49,670,500**	**1,315,986**	**50,986,486**

The notes on pages 17 to 58 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2009

	Note	**2009 US$**	2008 US$
Operating activities			
Profit/(loss) before tax		**(39,172,251)**	(19,068,589)
Adjustments for:			
Depreciation of property, plant and equipment	14	**60,881**	98,105
Intangible assets impairment loss	8	**-**	1,282,736
Advances for investments impairment loss	8	**6,128,205**	1,909,818
Foreign exchange losses	6	**2,301,804**	36,259,708
Loss/(gain) on revaluation of investment property	15,16	**17,470,085**	(25,665,532)
Loss from discounting VAT	6	**2,398,890**	-
Receivables impairment loss	8	**1,253,167**	-
Property, plant and equipment impairment loss	8	**95,772**	-
Other expenses		**141,218**	36,025
Interest income	6,7	**(15,553)**	(1,466,371)
Interest expense	6	**7,209**	-
			-
Operating loss before working capital changes		**(9,330,573)**	(6,614,100)
(Increase)/Decrease in trade accounts receivables		**-**	19,715
Increase in advances to related parties	19	**(1,252)**	-
(Increase)/Decrease in prepayments and other current assets	19	**(314,523)**	11,736
Increase in trade and other payables	25	**2,515,095**	106,265
Increase in payables due to related parties	27	**2,752,894**	568,469
Cash flows used in operating activities		**(4,378,359)**	(5,907,915)
Investing activities			
Decrease in prepayments under development contracts		**2,511,292**	6,768,919
Decrease/(Increase) in advances for investments	18	**68,244**	(4,239,574)
(Decrease)/Increase in payables to constructors	25	**(196,767)**	1,846,835
Additions to investment property	15,16	**(13,106,851)**	(31,063,334)
Changes of property, plant and equipment	14	**(20,883)**	(118,538)
Increase in VAT receivable		**(2,055,671)**	(4,116,428)
Increase/(Decrease) in financial lease liabilities		**576,941**	(29,960)
Interest received	6	**15,553**	299,964
Acquisition of / Changes in minority interest		**-**	(109,000)
Cash flows used in investing activities		**(12,208,142)**	(30,761,116)
Financing activities			
Proceeds from shareholders advances / proceed from issue of share capital	13	**4,987,972**	402,207
Proceeds from bank loan	21	**16,000,000**	-
Proceeds from other borrowings	21	**4,321**	-
Net cash from financing activities		**20,992,293**	402,207
Effect of foreign exchange rates on cash and cash equivalents		**579,132**	(7,405,995)
Net increase in cash and cash equivalents		**4,984,924**	(43,672,819)
Cash and cash equivalents:			
At beginning of the year		**35,733**	43,708,552
At end of the year		**5,020,657**	35,733

The notes on pages 17 to 58 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 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 the year ended 31 December 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 real estate, especially in Kiev and around the major population centres of Ukraine.

As at 31 December 2009 the Group employed 29 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 reforms 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

1. Incorporation and principal activities (continued)

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 European Bank for Reconstruction and Development, 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 Company's business, results of operations, financial condition and 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 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 Company 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
Year ended 31 December 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.

1. Incorporation and principal activities (continued)

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;
- 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
Year ended 31 December 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 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$ 39,172,251 during the year ended 31 December 2009. Even though at 31 December 2009, the Group's total assets exceed its total liabilities by US$ 50,986,486, 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 and commissioning of properties so as to generate income. The consolidated financial statements do not include any adjustments should the Group be unable to continue as going concern.

As at 31 December 2009 the Group was in breach of certain covenants relating to the bank loan of US$15.529.412, presented in non-current liabilities. As a result of these breaches, the liability is repayable on demand. International Accounting Standard "IAS1- Presentation of Financial Statements", requires that liabilities payable on demand be presented as part of current liabilities. Had the Group presented the above liability as current, non-current liabilities would have decreased by US$15.529.412 and current liabilities would have increased by the same amount as at 31 December 2009. Should the bank request immediate repayment of the loan, this would cast significant uncertainty on the ability of the Group to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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 January 2009.

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
	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	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
• IFRS 7	Financial instruments: Disclosures (Financial instruments required to be measured at fair value to be disclosed by source of inputs in determining value)	Effective for annual periods beginning on or after 1 January 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

• IAS 27	Consolidated and Separate Financial Statements (When a parent entity accounts for a subsidiary at fair value in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale)	Effective for annual periods beginning on or after 1 July 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 31	Interests in joint ventures. (If joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venture and the joint venture, as well as summary financial information about the assets, liabilities income and expenses)	Effective for annual periods beginning on or after 1 January 2009
• IAS 38	Intangible Assets. (Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the services. Advertising and promotional activities include mail order catalogues)	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
	(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 July 2009. Earlier application permitted
• 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 9	Reassessment of Embedded Derivatives. (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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

• IFRIC 15	Agreements for the Construction of Real Estate. (Standardization of accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, 'off plan' – that is, before construction is complete)	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16	Hedges of a Net Investment in a Foreign Operation (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.
• 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

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

• IAS 17	Leases (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.
• IAS 38	Intangible Assets (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.
• IFRS 8	Operating segments (Disclosure of information about segment assets)	Effective for annual periods beginning on or after 1 January 2010.
• IAS 7	Presentation of Financial Statements (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

. Summary of significant accounting policies (continued)

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

• IFRS 5	Non-current Assets Held for Sale and Discontinued operations. (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.
• IAS 1	Presentation of Financial Statements (Current/non-current classification of convertible instruments)	Effective for annual periods beginning on or after 1 January 2010.
• IAS 18	Revenue (Determining whether an entity is acting as a principal or as an agent)	No dates for put in action was determined, as the amendment was made to non-mandatory guidance
• IAS 36	Impairment of Assets (Unit of accounting for goodwill impairment test)	Effective for annual periods beginning on or after 1 January 2010.
• IAS 39	Financial instruments: Recognition and Measurement (Clarification as to measurement and recognition of prepayment options, forward contracts and hedged cash flow)	Effective for annual periods beginning on or after 1 January 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 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 %	
		as at 31.12.2008	as at 31.12.2009
Aisi Capital Limited	Cyprus	100	100
Aisi Logistics Limited	Cyprus	-	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
LLC Retail Development Balabino	Ukraine	-	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, Aisi Capital Ltd and Aisi Logistics Ltd maintain their accounting records in Ukrainian Hryvnia. Aisi Realty Public Limited, Aisi Capital Ltd and Aisi Logistics 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 IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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.
- 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	**2009**	**2008**	**2009**	**2008**
US$	7,7916	5,2693	7,9850	7,7000

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

2. Summary of significant accounting policies (continued)

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 non-controlling interest'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.

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 parent company and its subsidiaries Aisi Capital Ltd and Aisi Logistics Ltd for which the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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 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 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.

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	25.00
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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.

Interest and other borrowing expense

Starting from 1 January 2009 the Group capitalizes interest and other borrowing expense attributable to project development instead of expensing it as in previous periods. This applies in relation to all borrowings contracted by the Group in the periods started from 1 January 2009.

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 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.

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 the definition is met. The operating lease is accounted for as if it were a finance lease.

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

Up to 31 December 2007 investment property under development was carried at cost plus any development costs after initial recognition and was stated as Property under construction in the financial statements. IAS 16 requirements were applied to the Investment property under development during the period of development. As such, no fair value gains were recognised in the statement of comprehensive income of 2007 on these properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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. Therefore, the fair value gains on investment property appearing in the income statement of 2008 include fair value gains on investment properties under construction 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 the final decision of management.

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.

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.

If a valuation obtained for an investment property held under a lease is net of all payments expected to be made, any related liability/assets recognised separately in the statement of financial position is 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.

Basis of valuation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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, 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:

> Requires the valuation to be based on facts that differ materially from those that exists 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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 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 (DCF) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

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 that have been 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 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.

2. Summary of significant accounting policies (continued)

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.

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.

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 Group considers these intangible assets as assets with indefinite useful lives.

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

Leasing operations
<u>The Group as lessee</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on 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 cash flow statement, 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.

Impairment of assets

Intangible 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. The part of VAT credit expected to be recovered in the long-term prospective is classified as non-current being discounted for discount reflecting principal market assumptions as to projects realization. Initial loss on discounting VAT credit, non-current was recognized as part of finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

2. Summary of significant accounting policies (continued)

Earnings and Net Assets Value per share

The Group presents basic and diluted earnings per share (EPS) and net assets 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, 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.

Non-current liabilities

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Comparative information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

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, interest 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 are discussed below:

(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. The following table details the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The distribution of financial liabilities over period according to the maturity has been based on the expected undiscounted cash flow of financial liabilities and has included both principal and interest cash flows for the respective liabilities. As the interest rate is floating, the undiscounted amount of loans payable was derived from interest rate curve at the end of reporting periods.

31 December 2009

	Carrying amount	**Total**	Less than one year	From one to two years	More than two years
Financial assets					
Accounts receivable	1,559,667	**1,559,667**	1,559,667	-	-
Cash and cash equivalents	5,020,657	**5,020,657**	5,020,657	-	-
Financial liabilities					
Finance lease liabilities	(662,924)	**(2,596,020)**	(132,977)	(109,220)	(2,353,823)
Loans payable	(16,037,967)	**(26,609,767)**	(1,594,909)	(3,002,353)	(22,012,505)
Accounts payable	(9,300,830)	**(9,300,830)**	(8,534,465)	(766,365)	-

31 December 2008

	Carrying amount	**Total**	Less than one year	From one to two years	More than two years
Financial assets					
Accounts receivable	1,650,874	**1,650,874**	1,650,874	-	-
Cash and cash equivalents	35,733	**35,733**	35,733	-	-
Financial liabilities					
Finance lease liabilities	(85,983)	**(101,669)**	(42,184)	(33,150)	(26,335)
Accounts payable	(4,229,608)	**(4,229,608)**	(3,211,194)	(1,018,414)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

3. Financial risk management (continued)

Forecast for liquidity reserve as at 31 December 2009, based on the existing project portfolio of the Group, is as follows:

	2010-2011
Opening balance for the period	**5,020,657**
Operating proceeds	5,311,440
Investment proceeds	4,000,000
Investment outflows	(3,270,000)
Operating and administrative outflows	(4,141,000)
Financing outflows	(4,584,500)
Closing balance for the period	**2,336,597**

The Group management monitors liquidity position on a daily basis. Assuming the Group does not pay the UVK fine (see Note 25 for details), the agreement with UVK is terminated or renegotiated, Brovary Logistics Centre starts generating income from the 1st July 2010, there is no significant increase of LIBOR that influences future interests payments of interests on EBRD loan (see Note 21 for loan details) and the Group manages to recover some doubtful advances made for investments in land property in prior years, the Group will be able to sustain the proper level of liquidity.

(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.

A summary of the Group's exposure to foreign currency risk at the reported dates are presented below

	Currency				
As at 31 December 2009	**UAH**	**EUR**	**GBP**	**USD**	**Total**
US$ equivalent					
Trade and other receivables	1,559,667	-		-	**1,559,667**
Cash and cash equivalents	561,680	866		4,458,111	**5,020,657**
Loans payable	(4,321)	-		(16,000,000)	**(16,004,321)**
Interest on loans payable	-	-		(33,646)	**(33,646)**
Trade and other payables	(3,793,859)	(231,483)	(601,772)	(4,673,716)	**(9,300,830)**
	(1,676,833)	(230,617)	(601,772)	(16,249,251)	**(18,758,473)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

3. Financial risk management (continued)

	Currency				
As at 31 December 2008	**UAH**	**EUR**	**GBP**	**USD**	**Total**
US$ equivalent					
Trade and other receivables	161,642	-	-	1,489,232	**1,650,874**
Cash and cash equivalents	3,411	9,009	-	23,313	**35,733**
Trade and other payables	(2,024,761)	(199,191)	(301,038)	(1,704,618)	**(4,229,608)**
	(1,859,708)	(190,182)	(301,038)	(192,073)	**(2,543,001)**

The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group results are substantially sensitive to movement in UAH/US dollar exchange rate because significant part of its financial instruments is denominated in US Dollars. If at 31 December 2009 the Ukrainian Hryvnia had weakened/strengthen by 10% against the US dollar with all other variables held constant, the Company's results would (decrease)/increase by US$ (1,152,774)/ 1,152,774 respectively. Meanwhile balances of Trade and other receivables, Cash and cash equivalents and Trade and other payables, that are considerably sensitive to UAH/US dollar exchange rate because the most part of these financial instruments are denominated in UAH, would increase/ (decrease) by US$ 167,683/ (167,683) in total due to such a change of UAH/ US dollar exchange rate.

Balances of other financial assets and liabilities are not substantially sensitive to movement in UAH/US dollar exchange rate because these financial instruments are denominated in other currencies.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

3. Financial risk management (continued)

(7) Price risk

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

As at 31 December 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 31 December 2009
	-5%	5%	-1%	1%	
Brovary Logistics Center	22,150,000	24,830,000	25,540,000	21,750,000	23,490,000
Bela Logistics park	9,445,000	14,205,000	14,882,000	9,162,000	11,829,000

Provided that rental price of commercial property decrease by 5%, that may lead to decrease of carrying value of investment property under construction at 31 December 2009 by 10.54% or US$ 3,724,000. The increase of rental price by 5% may lead to increase of carrying value of investment property under construction at 31 December 2009 by 10.52% or US$ 3,716,000.

The decrease of capitalisation yield by 1% may result in increase of carrying value of investment property under construction at 31 December 2009 by 14.45% or US$ 5,103,000. The increase of capitalisation yield by 1% may result into decrease of carrying value of investment property under construction by 12.48% or US$ 4,407,000.

As at 31 December 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 31 December 2009
	-5%	5%	
Tsymliansky Lane	2,692,000	3,615,000	3,154,000
Kyanivsky Lane	17,828,000	21,609,000	19,719,000

Provided that sales price of residential property had decreased by 5%, it may lead to decrease of carrying value of investment property at 31 December 2009 by 10.29% or US$ 2,353,000. The increase of sales price of residential property by 5% may lead to increase of carrying value of investment property at 31 December 2009 by 10.28% or US$ 2,351,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

3. Financial risk management (continued)

(8) Interest risk management

As the Group has the floating interest rate on the loan received from European Bank for Reconstruction and Development (further "EBRD") it is exposed to LIBOR interest risk.

The Group monitors the market interest rate to timely initiate changes of fixed part of interest.

The sensitivity analysis for LIBOR changes applying to the interest calculation on the Loan principal outstanding as at the 31 December 2009 is presented below

	Actual as at 31.12.2009	**+100 bps**	**+200 bps**
Libor (3 months)	**0,25%**	1,25%	2,25%
Yearly interests accrued	**1,120,101**	1,280,101	1,440,101

(9) 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.

(10) 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.

(11) 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.

(12) Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the 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 balance sheet 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

5. Administration expenses

	2009 US$	2008 US$
Management fee	**2,782,900**	2,516,029
Legal fees	**797,283**	599,730
Salaries and Wages	**570,850**	505,753
Audit	**312,666**	255,552
Directors remuneration	**230,917**	310,670
Security	**212,320**	139,622
Consulting fees	**163,935**	597,996
Public group expenses	**154,459**	164,027
Office rent	**140,929**	243,829
Travelling expenses	**95,339**	421,530
Taxes and duties	**89,975**	163,379
Other office expenses	**85,551**	162,165
Accounting fees	**79,545**	160,295
Apartment rent	**69,449**	103,838
Depreciation	**60,881**	98,105
Administration fees	**38,252**	194,178
Marketing fees	**-**	116,142
Transaction costs	**-**	99,207
Other expenses	**61,472**	76,001
	5,946,723	6,928,048

6. Finance costs, net

	2009 US$	2008 US$
Loss from discounting VAT recoverable, non - current	**2,398,890**	-
Foreign exchange losses, net	**2,301,804**	36,259,708
Finance charges and commissions	**166,121**	782,409
Bank interest expenses	**20,849**	-
Bank interest income	**(15,553)**	(299,964)
Other finance expenses	**159**	36,025
	4,872,270	36,778,178

7. Income from investing activities

	2009 US$	2008 US$
Interest income	**-**	1,166,406
	-	1,166,406

Interest income –related to interest accrued on outstanding advances under investments. No interest has been accrued in 2009 since the recoverability of the advances is doubtful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

8. Other expenses, net

	2009 US$	2008 US$
Advances for investments - impairment loss	**6,128,205**	1,909,818
Penalties	**3,133,253**	-
Receivables - impairment loss	**1,253,167**	-
Property, plant and equipment impairment loss	**95,772**	-
Intangible assets - impairment loss	-	1,282,736
Other expenses, net	**272,253**	(657,972)
	10,882,650	2,534,582

The Group incurred penalties due to late delivery of Brovary Logistics Park to UVK. See Note 25 for further details.

The Group decided to provide for impairment against the advances for investments, intangible assets, receivables and property, plant and equipment as at 31 December 2009. See the Note 19, 17, 18 and 14 respectively.

9. Tax

	2009 US$	2008 US$
Income tax - current year	-	749,472
Defence contribution	**10**	29,385
Deferred tax - charge/ (credit) (Note 24)	-	(6,155,984)
Charge for the year	**10**	(5,377,127)

The income tax rate for the Company's Ukrainian subsidiaries is 25% for the year ended 31 December 2009 (31 December 2008: 25%). The corporate tax that is applied to the qualifying income of the parent company and its Cypriot subsidiaries is 10% for the year ended 31 December 2009 (31 December 2008: 10%)

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

	2009 US$	2008 US$
(Loss)/Profit before tax	**(39,172,251)**	4,980,887
Tax calculated at the applicable tax rates	**(8,605,412)**	(5,268,580)
Allowance for tax losses carry forward	**502,438**	9,243,600
Reversal of deferred tax related to investment property	-	(6,155,984)
Defence contribution current year	**10**	29,385
Income/(loss) on revaluation not subject to tax	**4,367,521**	(6,416,383)
Expenses not recognized for tax purposes	**3,717,101**	2,284,299
Other movements in deferred tax	**18,352**	906,536
Tax charge	**10**	(5,377,127)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Tax (continued)

As from 1 January 2008, 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.

The respective reversal of previously accrued Deferred Tax Liabilities has been made in 2008.

10. Share capital

	2009 Number of shares	**2009 Share Capital US$**	**2009 Share Premium US$**	2008 Number of shares	2008 Share Capital US$	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 31 December	**192,194,975**	**2,283,299**	**92,683,930**	192,194,975	2,283,299	92,683,930

In August 2009 the Company received advances in the total amount of US$ 4,987,972 for issue of new shares. This amount is net of: a) capital raising fees of US$ 208,716 paid to fund raising lead-managers and consultants; b) liabilities to directors in the amount of US$223,121 to be set off against shares due to them. The total number of shares approved by the parent company's Board of Directors for issue is 222,077,817 and the Company Secretary is currently taking steps for the issue of the shares.

11. Stock based compensation for directors

Share Option for Directors

On 25 July 2007, the parent company adopted a share option scheme for each of the Directors as at that date. Under the Option scheme, which was approved by the members on 31 March 2008, each director is entitled to subscribe for 263,158 Ordinary shares exercisable as set out below:

	Exercise Price US$	Amount of Shares
Exercisable from admission of the Company to AIM till 1 August 2017	0.57	175,439
Exercisable from 1st anniversary to AIM till 1 August 2017	0.83	87,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

11. Stock based compensation for directors (continued)

On 12 October 2007, the parent company adopted a share option scheme for its Director Franz M. Hoerhager which entitles him to subscribe for 182.917 Ordinary shares exercisable as set out below:

	Exercise Price US$	Amount of Shares
Exercisable immediately after the Appointment till 1 August 2017	0.40	121,929
Exercisable from 1st anniversary to AIM till 1 August 2017	0.50	60,988

If a director resigns from the Board any unvested options lapse, unless the Directors resolve otherwise.

The above options were approved, verified and adopted in every respect by the members of the Company in General Meeting on 31 March 2008.

The Company recognized respective equity reserve for share options in the statement of financial position as at 31 December 2009 in the amount of US$ 68,390.

12. Shareholder Warrants

Founding Shareholder Warrants

The Board of Directors approved the issue of warrants to the Founding Shareholders of the parent company, entitling them to subscribe at par value per ordinary share, for such a number of ordinary shares which when multiplied by US$0.57 equals 100% of the difference between the market value of the parent company's interest in its Investment Portfolio at the date of Admission to AIM (1 August 2007) and six months following admission to AIM (1 February 2008), net of direct project cash costs, and net gain proceeds from the sale of Tarasovskaya project, that was made in May, 2007.

Additional 26,003,146 ordinary shares were issued on 27 June 2008 in relation to the exercise of these warrants at par value of Euro 0.01 per share.

Tudor BVI Global Portfolio Ltd Warrants

The parent company granted to a shareholder, Tudor BVI Global Portfolio Ltd, warrants to subscribe for 10,937,500 Ordinary shares at the exercise price of US$0.64 per share.

The exercise date is within 30 days following the first anniversary of admission to AIM (1 August 2008).

The above warrants were approved, verified and adopted in every respect by the members of the parent company in General Meeting on 31 March 2008.

The above warrants have expired since they were not exercised by 30 September 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

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

Weighted average number of ordinary shares

	2009 *Number*	*2008* *Number*
Issued ordinary shares at 1 January	192,194,975	166,191,829
Ordinary shares additionally issued	-	26,003,146
Issued ordinary shares at 31 December	192,194,975	192,194,975
Issued and prepaid ordinary shares at 31 December	192,194,975	192,194,975
Weighted average number of ordinary shares	192,194,975	179,513,989
Diluted weighted number of ordinary shares	192,194,975	179,513,989

Basic, diluted and adjusted earnings per share

	2009 *Loss after tax* *US$*	*2009* *Earnings per share* *US$*	*2008* *Loss after tax* *US$*	*2008* *Earnings per share* *US$*
Basic	(38,901,144)	(0.20)	(15,482,825)	(0.09)
Diluted	(38,901,144)	(0.20)	(15,482,825)	(0.09)

Net assets per share

	2009 *Net assets*	*2009* *Number of shares*	*2009* *Net assets per share*	*2008* *Net assets*	*2008* *Number of shares*	*2008* *Net assets per share*
Basic	49,670,500	192,194,975	0.26	82,540,207	192,194,975	0.43
Diluted	49,670,500	192,194,975	0.26	82,540,207	192,194,975	0.43

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Year ended 31 December 2009

14. Property, plant and equipment

	Furniture, fixtures and equipment US$	Software and hardware US$	Motor vehicles US$	Leasehold US$	Citylights US$	Total US$
Cost:						
At 1 January 2009	**75,040**	**32,405**	**107,007**	**27,556**	**98,185**	**340,193**
Additions	73	6,066	4,707	-	17,891	**28,737**
Disposals	(4,406)	-	-	-	(3,448)	**(7,854)**
Translation difference	(11,511)	(1,610)	(3,933)	(983)	923	**(17,114)**
At 31 December 2009	**59,196**	**36,861**	**107,781**	**26,573**	**113,551**	**343,962**
Accumulated depreciation:						
At 1 January 2009	**(21,870)**	**(16,929)**	**(47,215)**	**(9,185)**	**(37,291)**	**(132,490)**
Charge for the year	(9,750)	(11,513)	(15,768)	(4,539)	(19,311)	**(60,881)**
Translation difference	720	1,038	10,793	438	2,638	**15,627**
At 31 December 2009	**(30,900)**	**(27,404)**	**(52,190)**	**(13,286)**	**(53,964)**	**(177,744)**
Impairment						
At 31 December 2008	-	-	-	-	-	-
At 31 December 2009	**(354)**	**(1,358)**	**(32,155)**	-	**(59,587)**	**(93,454)**
Net book amount:						
At 31 December 2008	**53,170**	**15,476**	**59,792**	**18,371**	**60,894**	**207,703**
At 31 December 2009	**27,942**	**8,099**	**23,436**	**13,287**	-	**72,764**

15. Investment property under construction

	2009 US$	2008 US$
At 1 January	**41,867,000**	6,722,135
Transfer from investment properties	-	10,800,000
Investment property related costs	**12,716,603**	30,186,227
Revaluation (losses)/gains on investment property	**(17,895,730)**	14,200,904
Translation losses	**(1,368,873)**	(20,042,266)
At 31 December	**35,319,000**	41,867,000

Up to 31 December 2007 investment property under development was carried at cost plus any development costs after initial recognition and was stated as Property under construction in the financial statements. IAS 16 requirements were applied to the Investment property under development during the period of development. As such, no fair value gains were recognised in the statement of comprehensive income of 2007 on these properties.

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. Therefore, the fair value gains on investment property of US$ 25,665,532 appearing in the statement of comprehensive income of 2008 include fair value gains of US$ 14,200,904 on investment properties under construction valued at fair value for the first time in 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

15. Investment property under construction (continued)

For the purposes of these financial statements the assessed fair value of Investment property under construction is:
- Reduced by the carrying amount of discounted carrying amount of VAT recoverable balance in the amount of US$ 2,148,000 included by the appraisers in market value calculation
- Increased by the carrying amount of penalty liabilities to UVK in the amount of US$ 1,500,000 (see Note 16) accounted for by the appraisers in market value estimation
- Increased by the discounted carrying amount of liabilities on construction contracts in the amount of US$ 1,377,000 given by the appraisers in arriving to market value estimation
- Increased by the discounted amount of liabilities on land lease payments in the amount of US$ 320,000 accounted for by the appraisers in market value estimation

The investment property capitalised costs include, among other items, the following capitalised items:
- Interests and fees on EBRD loan (see Note 13) in the amount of US$ 241,600
- Land held under operating lease but accounted for as if it were a finance lease being recognised the asset in the amount of US$ 302,648 at 31 December 2009
- Prepayments made by the Company for construction works in the amount of US$ 5,099,171 at 31 December 2009

16. Investment property

	2009 **US$**	2008 US$
At 1 January	**22,894,000**	32,830,000
Transfer to property under construction	-	(10,800,000)
Investment property related costs	**390,248**	877,107
Revaluation gains on investment property	**425,645**	11,464,628
Translation difference	**(836,893)**	(11,477,735)
At 31 December	**22,873,000**	22,894,000

On acquisitions dates and as at 31 December 2009, the property was valued by DTZ Kiev B.V ("DTZ"), an external valuer. The valuer's opinion of the Market Value of each property has been primarily derived using an estimate of the future potential net income generated by use of the properties because their specialised nature means that there is no market based evidence available.

Project related prepayments include advances for contractors and consultants on works preceding development of properties.

In October 2007 the Group obtained the construction permit for Brovary Logistics Center and in April 2008 the Group obtained the construction permit for Bela Logistics Park that were reclassified according to IAS 40 from Investment Property to Investment Property under construction in 2008.

For the purposes of these financial statements the assessed fair value of Investment property is:
- Increased by the discounted amount of liabilities on land lease payments in the amount of US$ 75,000 accounted for by the appraisers in market value estimation

The investment property capitalised costs include, among other items, the following capitalised items:
- Land held under operating lease but accounted for as if it was a finance lease being recognised the asset in the amount of US$ 139,439 at 31 December 2009
- Prepayments made by the Company for construction works in the amount of US$ 5,762 at 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

17. Intangible assets

	Advertising rights US$
Cost:	
At 1 January 2009	**1,999,388**
Translation difference	(765,396)
Impairment provision	(1,233,992)
Net book value:	
At 1 January 2009	-
At 31 December 2009	-

The test of impairment performed by the management as at 31 December 2009 has shown significant deterioration of the value of advertising rights resulted from the business combination of one of the Company's subsidiaries Aisi Outdoor. These results mainly reflect changes of market conditions, and decrease of demand for advertising services. Following the prudence concept for financial statements preparation the management has decided to make 100% impairment provision for these assets.

18. Advances for investments

	2009 US$	2008 US$
Advances for investments	**17,267,803**	17,336,047
Impairment provision	**(7,969,858)**	(1,909,818)
	9,297,945	15,426,229

As at 31 December 2009 the Group has decided to provide for impairment provision against the advances for investments in the amount of US$ 7,969,858. These advances were granted to several companies and an individual in respect of land plots.

19. Accounts receivable

	2009 US$	2008 US$
Interests receivable	**1,337,825**	1,457,204
VAT and other tax receivable	**216,396**	4,721,259
Prepayments and other current assets	**508,193**	193,670
Receivables from related parties (Note 27)	**1,252**	-
Impairment of prepayments and other receivables	**(287,603)**	-
	1,776,063	6,372,133

As at 31 December 2009 the Group has accrued interest on the outstanding balance of advances made in the previous periods for investments in property (see Note 18)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

20. Cash and cash equivalents

	2009 US$	2008 US$
Denominated in:		
USD	**4,458,111**	23,313
UAH	**561,680**	3,412
EUR	**866**	9,008
	5,020,657	35,733

The Group has current accounts and reserve account opened in USD to satisfy EBRD requirements under the loan agreement (see Note 21 for details). The balance of the accounts was the following

	2009 US$	2008 US$
Current accounts	**4,419,998**	35,733
Reserve account	**600,659**	-
	5,020,657	35,733

At 31 December 2009 the balance of the reserve account was less than required under the loan agreement with EBRD. In January 2010 the balance was increased by US$ 260,000 to satisfy the covenants.

21. Loans and borrowings due

	2009 US$	2008 US$
Principal	**16,000,000**	-
Principal due to related parties (Note 27)	**4,321**	-
Interests	**33,646**	-
	16,037,967	-

At 31 December 2009, the bank loan is a credit facility from EBRD. The Group signed the loan agreement with EBRD on 12 January 2009. The limit of the credit facility is US$ 34,400,000. The first tranche in the amount of US$ 16,000,000 has been received by the Group in two disbursements by the end of 2009. The loan bears interest at 3 months LIBOR plus 6.75%, and is repayable in 34 equal instalments of US$ 470,588 starting from 18 December 2010. The purpose of financing is completion of Brovary Logistics Centre project and refinancing of LLC Terminal Brovary expenses incurred in prior periods in relation to the project.

Availability of the second tranche in the amount of US$ 18,400,000 depends on a number of criteria LLC Terminal Brovary should satisfy.

As at 31 December 2009 Group pledged as collateral to secure the bank loan the following :

1. LLC Terminal Brovary pledged all its rights under the general contractor agreement
2. LLC Terminal Brovary pledged all movable property with the carrying value more than US$ 25,000
3. LLC Terminal Brovary pledged its Investment property under construction, Brovary Logistics Centre that was on the construction stage (see Note16), and all property rights on the centre
4. 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
5. Aisi Logistics Ltd pledged 99% corporate rights in LLC Aisi Brovary
6. LLC Aisi Brovary pledged 100% corporate rights in LLC Terminal Brovary
7. LLC Terminal Brovary pledged all current and reserved accounts opened by LLC Terminal Brovary in Erste Bank, Ukraine

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

21. Loans (continued)

Also the Group 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 amongst others the following applicable as at 31 December 2009 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. Prior to Brovary Logistics Centre project completion minimum target net worth (Equity less accumulated Goodwill) of Aisi Realty Public Ltd should not be less than US$ 98,000,000.
3. Prior to Brovary Logistics Centre project completion minimum audited equity of the Company should not be less than US$ 100,000,000
4. 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).
5. During the first 12 months after the first disbursement of the first tranche subject to EBRD's sole discretion LLC Terminal Brovary should maintain Debt to Equity (Loan to Cost) ratio as 30:70
6. At all times prior to Brovary Logistics centre project completion LLC Terminal Brovary should maintain the Debt Service Reserve Account balance not less than a nine-month debt service payment (see Note 12 for additional details)

As at 31 December 2009, certain of these requirements were not in compliance. That gives EBRD the right to demand immediate repayment of the loan. However, the Group's management believes that EBRD will not execute its right to demand immediate repayment of the loan.

22. Obligations under finance leases

	Minimum lease payments 2009 US$	**Interest 2009 US$**	**Principal 2009 US$**	Minimum lease payments 2008 US$	Interest 2008 US$	Principal 2008 US$
Less than one year	**132,977**	**76,089**	**56,888**	42,184	8,948	33,236
Between two and five years	**393,385**	**326,595**	**66,790**	59,485	6,738	52,747
More than five years	**2,069,658**	**1,686,353**	**383,305**	-	-	-
	2,596,020	**2,089,037**	**506,983**	101,669	15,686	85,983

The Group has the cars obtained under finance lease agreements and rent land plots.

Lease obligations related to the cars are denominated in EUR and USD. Other obligations are denominated in UAH.

At 31 December 2009 the current finance lease liabilities consist of interest balance due in the amount of US$ 16,787 and principal due in the amount of US$ 56,888.

At 31 December 2009 the non-current finance lease liabilities consist of interest balance due in the amount of US$ 139,154 and principal due in the amount of US$ 450,095.

The fair values of lease obligations approximate to their carrying amounts as presented above.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

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23. VAT non-current

	2009 US$	2008 US$
VAT, non-current	**4,161,644**	-
Impairment	**(947,935)**	-
	3,213,709	-

Based on the results of the impairment test made, the Company decided to provide VAT not supported by the tax bills for the period of more than one year, which is required by law to be recovered, for 100% impairment provision.

24. Deferred tax

The movement on the deferred tax account is as follows:

Deferred tax liability

	Fair value gains on investment property US$	Total US$
At 1 January 2008	6,423,314	6,423,314
Charged / (credited) to:		
Statement of comprehensive income (Note 9)	(6,155,984)	(6,155,984)
Translation difference	(267,330)	(267,330)
At 31 December 2008/ 1 January 2009	-	-
Charged / (credited) to:		
Statement of comprehensive income (Note 9)	-	-
Translation difference	-	-
At 31 December 2009	-	-

25. Accounts payable

	2009 US$	2008 US$
Payables to related companies (Note 27)	**4,058,625**	1,288,126
Fines payable	**1,500,000**	-
Payables for services	**1,080,724**	672,638
Guarantee reserve on construction works, non-current	**766,365**	1,018,414
Guarantee reserve on construction works, current part	**766,365**	210,488
Accruals	**636,933**	195,785
Payables to directors	**356,217**	134,073
Payables for construction	**117,338**	617,933
VAT and other taxes payable	**18,263**	92,151
	9,300,830	4,229,608

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25. Accounts payable (continued)

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

The Group has created reserves on construction works performed by general contractors. The reserves equal to 5%-6.5% of the amount of each accepted act of works and is due for payment by the end of the definite term as per agreement between the respective subsidiary of the Group and the general contractor.

Fines payable are due to UVK, the possible tenant of Brovary Logistics Centre. The Group's subsidiary LLC Aisi Bela pledged the owned land plots to secure those payables. The size of pledged land plots is 22,39 hectars. The carrying amount of this investment property as of 31 December 2009 is US$ 11,829,000.

At 31 December 2009 there is the valid corporate guarantee issued by the Company to guarantee the fines stated on the balance.

26. Current tax liabilities

	2009	2008
	US$	US$
Income tax	**510,230**	822,782
Special contribution for defence	**10**	-
	510,240	822,782

27. Related party transactions

The following transactions were carried out with related parties:

Management fees (Note 5)

	2009	2008
	US$	US$
Aisi Realty Capital LLC	**2,782,900**	2,516,029
	2,782,900	2,516,029

The management fee is calculated at the rate of 2,5% on the committed capital. One principal of Aisi Realty Capital LLC is executive director of Aisi Realty Public Limited.

Payables to related parties (Note 25)

	2009	2008
	US$	US$
Aisi Realty Capital LLC	**4,041,020**	1,253,607
Howard Kelham	-	34,519
Andro Namicheishvili	**17,605**	-
	4,058,625	1,288,126

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Borrowings from related parties (Note 21)

	2009 US$	2008 US$
Beso Sikharulidze	4,321	-
	4,321	-

27. Related party transactions (continued)

Receivables from related parties (Note 19)

	2009 US$	2008 US$
Andro Namicheishvili	1,252	-
	1,252	-

28. Contingencies

As at 31 December 2009 the Group was a party to a number of litigations with former employees and former and existing counterparties. The Group decided to make a provision in the amount of US$ 74,691 based on the status of litigations at 31 December 2009. Cumulative cash outflow for the Group from the litigations that possibly have a negative conclusion amount to US$ 40,554.

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.

The Group possesses a number of land lease agreement with the City Authorities on the land plots under warehouse and residential projects. The City Authorities has the right to revise the lease land rates in line with the market.

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.

29. Commitments

Operating lease commitments

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

	2009 US$	2008 US$
Within one year	103,304	81,953
Between one and five years	42,019	220,424
After five years	-	1,894,586
	145,323	2,196,963

Capital commitments

The Group has entered into construction agreements with the constructors of investment property that was recognized as investment property under construction as at 31 December 2009. These agreements resulted in capital commitments amounting to US$ 52,985,041 as at 31 December 2009. This amount reflects amongst others commitments under agreements that the Group is going to terminate in the nearest future as they duplicate works made under other contracts.

30. Business combinations

During the year 2008 the Group acquired an additional 4% of LLC Almaz-pres-Ukrayina (Tsymliansky project) for US$ 109,000 that in all material aspects reflects the 4% share of net assets of that company on the acquisition date.

In January 2009 Aisi Realty PLC founded a 100% subsidiary Aisi Logistics Limited, incorporated in Cyprus, to carry out and facilitate financing to the Group's projects in logistics. In April 2009 Aisi Logistics Limited became 100% owner of LLC Aisi Brovary, which was earlier controlled by Aisi Realty Public Ltd.

In November 2009 LLC Aisi Ukraine founded a 100% subsidiary LLC Retail Development Balabino, incorporated in Ukraine for controlling land plot securing several advances made for investments. The land plot is expected to be transferred to the Group by receipt of the positive outcome of the respective litigations initiated by the Group.

31. Events after the reporting period

The appraisal of the Group's portfolio of investment properties as at 31 December 2009 was performed by DTZ and was completed in February 2010. The fair value of the investment properties reflects market conditions at the financial position date. That properties appraisal was performed using "Red Book" standards, and was also based on conservative and realistic assumptions agreed by appraisers and management. One of the key assumptions is vacancy ratio and rental rate.

In July 2009 the Group's subsidiary, LLC Terminal Brovary renewed a pre-lease agreement with UVK, a leading Ukrainian logistics operator. The agreement covers a 10-year lease term commencing January 2010 for the entire warehousing space at rental values of US$ 6.00 per sq.m. (excl. VAT) per month that was in line with market rates. LLC Terminal Brovary did not complete the project on the specified date, 1 November 2009.

LLC Terminal Brovary successfully commissioned the Brovary Logistics Centre on 31 May 2010. As a result of late completion, in addition to US$3.0 mln fines to UVK (US$1.5 mln paid in 2009), LLC Terminal Brovary is obliged to lease the property for one Hryvnia (UAH1) within the term calculated according to the following formula: the quantity of days of the transfer delay from 1 November 2009 until the date of signing of the Act of Transfer and Acceptance of the Logistic Complex multiplied by 2.

The Group's management is not willing to continue cooperation with UVK under the above stated conditions and believes it will be possible to negotiate terms with UVK or contract new tenants on more favourite terms in the nearest future. In June 2010 the Group filed a claim against UVK to render the pre-lease agreement signed in 2008 invalid and to terminate the fines and penalties agreement and the respective mortgage agreement. In its turn UVK filed a claim against Terminal Brovary LLC for additional US$ 2,124,000 fines under the pre-lease agreement signed in July 2009. The legal department of the Group is of the opinion that these fines will not be paid.

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During the year 2010, LLC Terminal Brovary amended the agreements with the general contractor Altis-Holding. As a result of that the contracted amount has been decreased by US$ 1,329,885, the size of guarantee fund has been decreased by US$ 12,813. New agreements with several contractors have been signed as well. Principal works contracted under new agreements are road and electricity supply network construction, the total amount of which is US$ 966,648.

In June 2010 the Group by mutual agreement terminated the contract with Marfin Popular Bank for the construction and post-construction loan for Aisi Bela Logistics Park.