**AISI REALTY PUBLIC LTD**

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
30 June 2011

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**30 June 2011**

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS ........ 3
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ........ 4
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION ........ 5
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ........ 7
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS ........ 8
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ........ 9

## BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

**Board of Directors**

Paul Ensor
Antonios Achileoudis
Franz Hörhager
Beso Sikharulidze
Roland Peeters

**Registered Address**

Totalserve House
17 Gr. Xenopoulou Street
Limassol 3106
Cyprus

**Principal Places of Business**

Prytys'ko-Mykilska 5
Kiev 04070
Ukraine

**Company Secretary**

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

**Nominated Adviser and Broker**

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

**Registrars**

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

Cymain Registrars Limited
P.O. Box 2579
1311 Nicosia
Cyprus

**Bankers**

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

PJSC Erste Bank
6 Prorizna Street
Kiev 01034
Ukraine

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

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

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### for the six months ended 30 June 2011

| | Note | Six month ended | |
|---|---|---|---|
| | | 30 June 2011 | 30 June 2010 |
| | | US$ | US$ |
| **Revenue from operations** | | | |
| Fair value (losses) on investment property | 7 | (7 833 811) | (1 982 148) |
| Income from operations, net | 7 | 184 633 | 49 826 |
| | | **(7 649 178)** | **(1 932 322)** |
| **Expenses** | | | |
| Administration expenses | 8 | (2 668 358) | (2 790 321) |
| Finance costs, net | 9a | (1 020 603) | 789 256 |
| Other income/(expenses), net | 9b,12c,14 | (5 255 472) | 33 291 |
| **Loss before taxation** | | **(16 593 611)** | **(3 900 096)** |
| Tax | 10 | - | (2 283) |
| **Loss for the period** | | **(16 593 611)** | **(3 902 379)** |
| Other comprehensive income | | 51 523 | - |
| **Total comprehensive income for the period** | | **(16 542 088)** | **(3 902 379)** |
| **Attributable to:** | | | |
| Equity holders of the parent | | (16 538 804) | (3 912 740) |
| Non controlling interests | | (3 284) | 10 361 |
| | | **(16 542 088)** | **(3 902 379)** |
| Losses per share attributable to equity holders of the parent (cent) | | (4,0) | (2,0) |

The notes on pages 9 to 23 form an integral part of these consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
### as at 30 June 2011

| | Note | 30 June 2011 | 31 December 2010 | 30 June 2010 |
|---|---|---|---|---|
| | | US$ | US$ | US$ |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | 32 427 | 54 783 | 59 294 |
| Investment property under construction | 11a | 6 286 553 | 10 300 000 | 35 834 098 |
| Investment property | 11b | 29 842 579 | 33 631 000 | 22 872 426 |
| Advances for investments | 11c | 2 000 000 | 6 000 000 | 8 525 887 |
| VAT non-current | | 2 923 102 | 2 926 939 | 2 991 494 |
| | | **41 084 661** | **52 912 722** | **70 283 199** |
| **Current assets** | | | | |
| Accounts receivable | 12 | 2 565 758 | 3 487 598 | 3 088 679 |
| Cash and cash equivalents | 13 | 18 504 | 291 053 | 1 708 152 |
| | | **2 584 262** | **3 778 651** | **4 796 831** |
| **Total assets** | | **43 668 923** | **56 691 373** | **75 080 030** |

The notes on pages 9 to 25 form an integral part of these consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
**as at 30 June 2011**

| | Note | 30 June 2011 | 31 December 2010 | 30 June 2010 |
|---|---|---|---|---|
| | | US$ | US$ | US$ |
| **Equity and Liabilities** | | | | |
| Share capital | 14 | 5 431 918 | 5 431 918 | 2 283 299 |
| Share premium | 14 | 92 683 930 | 92 683 930 | 92 683 930 |
| (Accumulated losses)/Retained earnings | | (90 809 707) | (74 217 972) | (53 195 839) |
| Advances for issue of shares | | 2 062 471 | 2 062 471 | 4 987 972 |
| Other reserves | | 68 390 | 68 390 | 68 390 |
| Translation difference reserve | 15 | (1 027 228) | (1 068 153) | (1 377 231) |
| | | **8 409 774** | **24 960 584** | **45 450 521** |
| Non controlling interests | 16 | 1 027 508 | 1 030 793 | 1 326 347 |
| **Total equity** | | **9 437 282** | **25 991 377** | **46 776 868** |
| **Non current liabilities** | | | | |
| Borrowings | 17 | 15 550 059 | 15 529 412 | 14 588 235 |
| Obligations under finance leases | | 583 584 | 591 245 | 596 711 |
| Accounts payable | 18 | 998 910 | 673 078 | 871 036 |
| | | **17 132 553** | **16 793 735** | **16 055 982** |
| **Current liabilities** | | | | |
| Borrowings | 17 | 793 476 | 41 237 | 1 411 765 |
| Accounts payable | 18 | 15 147 558 | 13 234 905 | 10 172 863 |
| Obligations under finance leases | | 24 483 | 44 969 | 76 885 |
| Current tax liabilities | 19 | 554 352 | 510 240 | 510 240 |
| Provisions | 18 | 579 219 | 74 910 | 75 427 |
| | | **17 099 088** | **13 906 261** | **12 247 180** |
| **Total liabilities** | | **34 231 641** | **30 699 996** | **28 303 162** |
| **Total equity and liabilities** | | **43 668 923** | **56 691 373** | **75 080 030** |

On 30 September 2011 the Board of Directors of Aisi Realty Public Ltd authorised the issue of these financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the six months period ended 30 June 2011

| | Attributable to equity holders of the Parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Notes payables from shareholders | Retained earnings, net of minority interest | Other reserves | Advances for issue of shares | Translation difference | **Total** | Non controlling interests | **Total** |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | **US$** | US$ | **US$** |
| **Balance - 1 January 2011** | **5 431 918** | **92 683 930** | **-** | **(74 217 972)** | **68 390** | **2 062 471** | **(1 068 153)** | **24 960 584** | **1 030 793** | **25 991 377** |
| Total comprehensive income for the period | | | | (16 591 735) | | | 40 925 | **(16 550 809)** | (3 284) | **(16 554 093)** |
| **Balance - 30 June 2011** | **5 431 918** | **92 683 930** | - | **(90 809 707)** | **68 390** | **2 062 471** | **(1 027 228)** | **8 409 774** | **1 027 508** | **9 437 282** |

The notes on pages 9 to 25 form an integral part of these consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

**for the six months period ended 30 June 2011**

| | 30 June 2011 US$ | 30 June 2010 US$ |
|---|---|---|
| **Operating activities** | | |
| **Loss before taxation** | **(16 593 611)** | **(3 900 096)** |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 19 921 | 34 400 |
| Impairment of investment advances and accounts receivable | 4 802 851 | - |
| Tax paid | - | (2 285) |
| Foreign exchange losses/(gain) | 120 683 | (928 734) |
| Loss on revaluation of investment property | 7 833 811 | 1 982 148 |
| Other expenses | 504 409 | - |
| Interest expense | 547 768 | - |
| Interest income | (2 299) | (61 857) |
| **Operating loss before working capital changes** | **(2 766 467)** | **(2 876 424)** |
| Increase in advances to related parties | (618) | - |
| (Increase)/Decrease in prepayments and other current assets | (103 296) | (1 312 616) |
| Increase/(Decrease) in trade and other payables | 927 980 | 84 737 |
| Increase/(Decrease) in financial lease liabilities | (28 147) | 10 672 |
| Increase/(Decrease) in payables due to related parties | 1 221 904 | 1 720 925 |
| **Cash flows from operating activities** | **(748 644)** | **(2 372 706)** |
| **Investing activities** | | |
| (Increase)/Decrease in VAT receivable | 43 035 | 222 215 |
| (Increase) in advances for investments | - | 772 058 |
| Increase in payables to constructors | (10 671) | - |
| Additions to investment property | (90 157) | (2 496 672) |
| Changes of property, plant and equipment | 50 035 | (20 930) |
| **Cash flows from investing activities** | **(7 758)** | **(1 523 329)** |
| **Financing activities** | | |
| Proceeds from other borrowings | 471 999 | (37 967) |
| **Net cash from financing activities** | **471 999** | **(37 967)** |
| Effect of foreign exchange rates on cash and cash equivalents | 11 854 | 621 497 |
| **Net increase in cash and cash equivalents** | **(272 549)** | **(3 312 505)** |
| Cash and cash equivalents: | | |
| **At beginning of the period** | **291 053** | **5 020 657** |
| **At end of the period** | **18 504** | **1 708 152** |

The notes on pages 9 to 25 form an integral part of these consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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. 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 six months period ended 30 June 2011 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 including the development, operation and selling of real estate assets, in major population centres of Ukraine.

As at 30 June 2011 the Group employed 21 people (31 December 2010 - 28).

### 2. Adoption of new and revised IFRSs

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

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2011 are consistent with those followed for the preparation of the annual financial statements for the year ended in December 2010, except for the adoption by the Group of the following standards, amendments and interpretations as of 1 January 2011, which did not have any material impact on the Group’s financial statements:

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**Six months ended 30 June 2011**

### 3. Summary of significant accounting policies

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

**Basis of preparation**
The interim condensed 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, as performed in December 2010 for the 2010 annual financial accounts.

**Statement of compliance**
The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2011 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union. The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Consolidated Financial Statements for the year 2010.

**Unaudited Consolidated Financial Statements**

The Interim Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2011 have not been audited nor reviewed by the Group's external auditors.

**Going concern**
These consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the repayment of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment, as well as the full settlement of the existing company liabilities, as they appear in the Financial Statments, taking into account the restructuring of the Group as described in Note 23. The Group incurred a loss before tax of US$ 16 591 735 during the six months ended 30 June 2011. Whilst at 30 June 2011, the Group's total assets exceed its total liabilities by US$8 409 774.

The directors consider it is appropriate to prepare these consolidated financial statements on the going concern basis as the Group has succeeded to secure additional funding in August 2011(Note 23) so as to ensure its continued operations . The consolidated financial statements do not include any adjustments should the Group be unable to obtain appropriate funds and consequently not be a going concern.

### 4. Financial risk management

**Financial risk factors**
The Group is exposed to market risk, property development risks, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk, litigation risk, reputation risk, price risk, share ownership risk, capital risk management and other risks arising from the nature of its principal activity, the economic environment and the financial instruments it holds.

**Market risk**
Market risk is the risk that the value of its portfolio investments and financial instruments will fluctuate as a result of changes in market prices. The Group's assets are susceptible to market risk arising from

uncertainties about future prices of the investments. The Group's market risk is managed through diversification of the investment portfolio, rigorous investment analysis and active asset management.

The effect of the global economic conditions on the market prices of the current portfolio investments of the Group has been severe throughout the period 2008-2010.

Note that 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 of new leases or renewals;
- cyclical fluctuations in the property market
- changes in the economic and political climate;
- local demand-supply conditions;
- the attractiveness of the property to end users/buyers;
- changes in availability and costs of financing;
- covenants, conditions, restrictions and easements relating to the properties;
- changes in governmental legislation and regulations;
- various title risks related to the Ukrainian law;

In respect to its commercial properties as at 30 June 2011, if the rental price had changed by 5% or the capitalisation yield had increased/decreased by 1%, with all other variables held constant, the fair value of the commercial projects would have been as follows:

<u>Commercial property</u>

| Project US$ | Rental price | | Capitalisation yield | | Carrying value as of 30 June 2011 |
|---|---|---|---|---|---|
| | 5% | -5% | -1% | 1% | |
| Brovary Logistics Centre | 18 598 000 | 16 324 000 | 18 858 000 | 16 251 000 | 17 297 000 |

**Development risk**
The Group faces development risks, including construction, commisioning, maitenance and operation risks of its real estate property such as:

- time delays in construction and commissioning;
- difficulties in obtaining required zoning, land-use, building, occupancy and other governmental permits and authorisations;
- difficulties in obtaining financing and/or increase financing costs caused by any of construction/commissioning/renting and/or selling delays;
- materials and labour cost fluctuation resulting in actual costs exceeding budgeted costs
- lower than anticipated rental rates because of market conditions;

**Interest rate risk**
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets apart from its cash balances that are mainly kept for liquidity purposes. The Group however is exposed to interest rate risk in relation to its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Most of the Group's borrowings are issuedon a variable rate terms.

**Credit risk**
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets at the reporting period end. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution. The sovereign debt crisis has affected the credit rating of such institutions in 2010. So far the Company has no reason to believe that its specific credit relations are in any way at risk in view of this situation.

**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.
Currently the Group faces substantial liquidity risk, with rental income from Terminal Brovary asset being delayed and lower than initially expected, while no other source of cash inflow has been identified to cover the operating cash outflows of the Group. The Board continues to seek new tenants for Terminal Brovary so as rental income covers at minimum the financing obligation towards EBRD.

**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 functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Ukrainian Hryvnia.

**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.

**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.

**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 Board of Directors acknoledges that during the reporting period, litigation risk has increased given the difficult position of the Group prior ro it securing additional external investment in August 2011 (Note 23)

**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 currently faces increased reputation risk as a by-product of the liquidity (see above Litigation risk) and certain litigation situations.

**Capital risk management**
The Group manages its capital to ensure that it will be able to continue as a going concern.

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

**5. 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:

- **Fair value**
  The Manager commissioned internationally acclaimed valuers (DTZ Kiev) in order to assess the value of its properties as of December 2010, for the purpose of determining Net Asset Values and/or indicate the possibility of impairment losses.The fair value of the properties is determined by using various valuation techniques.

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

**a. Weighted average number of ordinary shares**

| | 30 June 2011 | 30 June 2010 |
|---|---|---|
| | Number | Number |
| Issued ordinary shares capital | 414 272 792 | 192 194 975 |
| Weighted average number of ordinary shares | 414 272 792 | 192 194 975 |
| Diluted weighted number of ordinary shares | 414 272 792 | 192 194 975 |

**b. Basic, diluted and adjusted earnings per share**

| **Profit (Loss) after tax** | 30 June 2011 | 30 June 2010 |
|---|---|---|
| | US$ | US$ |
| **Basic** | **(16 591 735)** | **(3 912 740)** |
| **Diluted** | **(16 591 735)** | **(3 912 740)** |
| **Adjusted** | **(16 591 735)** | **(3 912 740)** |

| **Earnings per share** | 30 June 2011 | 30 June 2010 |
|---|---|---|
| | US$ | US$ |
| **Basic** | **(0,04)** | **(0,02)** |
| **Diluted** | **(0,04)** | **(0,02)** |
| **Adjusted** | **(0,04)** | **(0,02)** |

**c. Net assets per share**

| | 30 June 2011 | 30 June 2011 | 30 June 2011 |
|---|---|---|---|
| | Net assets | Number of shares | Net assets per share |
| | US$ | Number | US$ |
| **Basic** | **8 409 774** | **414 272 792** | **0,02** |
| **Diluted** | **8 409 774** | **414 272 792** | **0,02** |
| **Adjusted** | **8 409 774** | **414 272 792** | **0,02** |

| | 30 June 2010<br>Net assets | 30 June 2010<br>Number of shares | 30 June 2010<br>Net assets per share |
|---|---|---|---|
| | US$ | Number | US$ |
| **Basic** | **45 450 521** | **192 194 975** | **0,24** |
| **Diluted** | **45 450 521** | **192 194 975** | **0,24** |
| **Adjusted** | **45 450 521** | **192 194 975** | **0,24** |

**7. Revenues**

| | **H1 2011<br>US$** | **H1 2010<br>US$** |
|---|---|---|
| Operational Income | 184 633 | - |
| Income from Investing Activities-Impairments (Note 11) | (7 833 811) | (1 968 284) |
| Other Income | - | 35 962 |
| **Total Revenues** | **(7 649 178)** | **(1 932 322)** |

Operational income represents rental income generated during the reporting period by the rental agreements concluded by Terminal Brovary.

| **Tenant** | **Sq. m.** |
|---|---|
| DSV Ukraine | 4 242.7 |
| HTL Ukraine | 2 578.0 |
| FM Logistic Dniepr | 2 704.1 |

**8. Administration Expenses**

| | **H1 2011<br>US$** |
|---|---|
| Management fees | 1 402 955 |
| Salaries and Wages | 251 029 |
| Audit | 191 836 |
| Accounting fees | 180 840 |
| Legal fees | 179 224 |
| Directors remuneration | 82 291 |
| Consulting fees | 66 154 |
| Other office expenses | 67 246 |
| Security | 48 816 |
| Office rent | 39 169 |
| Travelling expenses | 30 000 |
| Taxes and duties | 24 469 |
| Apartment rent | 24 428 |
| Administration fees | 20 000 |
| Depreciation | 19 934 |
| Other expenses | 39 967 |
| **Total Administration Expenses** | **2 668 358** |

**9a. Finance income/cost**

| | H1 2011<br>US$ |
|---|---|
| Bank interest expenses | (547 768) |
| Loan restructuring cost | (311 096) |
| Foreign exchange losses, net | (120 683) |
| Finance charges and commissions | (43 354) |
| Bank interests income | 2 298 |
| **Net finance result** | **(1 020 603)** |

**9b. Other income/(expenses), net**

| | H1 2011<br>US$ |
|---|---|
| Advances for investments - impairment loss | 3 769 387 |
| Receivables - impairment loss | 1 033 464 |
| Penalties | 457 675 |
| Other expenses/(income), net | (5 054) |
| **Total** | **5 255 472** |

**10. Tax**

The income tax rate for the Company's Ukrainian subsidiaries is 25% for the period ended 30 June 2011. The corporate tax that is applied to the qualifying income of the parent company and its Cypriot subsidiaries is 10% for the period ended 30 June 2011.As from 1 January 2008, deferred tax is not provided for in respect of the revaluation of the investment property and investment property under construction as the Management expects the properties are that are held by subsidiary companies in Ukraine will be realised through a share deal rather than through an asset deal and consequently expects that the gains generated from the disposal of subsidiaries will be exempt from any tax. The respective reversal of previously accrued Deferred Tax Liabilities has been made in 2008.

**11. Investment Property (all)**

Investment Property consists of the following projects:

| Project Name | Description/ Location | Principal activities/ Operations | Related Companies | Carrying ammount as at 30/6/2011 |
|---|---|---|---|---|
| Brovary Logistic Park | Brovary, Kiev Oblast | Warehouse | TERMINAL BROVARY<br>AISI BROVARY<br>AISI LOGISTICS LTD | 17 296 564 |
| Bela Logistic Center | Odessa | Land and Development Works | AISI BELA | 6 286 553 |
| Kiyanovskiy Lane | Podil, Kiev City Center | Land for Residential development | AISI UKRAINE<br>TORGOVIY CENTR | 7 049 330 |
| Tsymlianskiy Lane | Podil, Kiev City Center | Land for Residential Development | ALMAZ PRES UKRAINE | 2 496 685 |
| Balabino | Zaporozhie | Land for Retail development | INTERMINAL<br>MERELIUM INVESTMENTS | 3 000 000 |
| **TOTAL(11a+11b)** | | | | **36 129 132** |

Carrying amounts represent fair value estimates as of 31 December 2010, minus a provision estimated by the Board (as explained below) and plus/minus any additions thereon. Fair value estimates as of 31

December 2010 have been provided 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 many different valuation methods.
According to the Board's opinion, the risks associated with the holding and probable development of the projects may be underestimated by the valuer. Therefore, the Board opted to take significant provisional reduction, as of the reporting period amounting to $7.833.811 thus reducing the carrying amount of the Investment properties to the total of $36.129.132

**Mortgage of assets to third parties**

All mortgages registered by certain third parties that had no operational affiliation with the Group over certain plots belonging to the Group have been lifted upon actions taken by the Board of Directors.

**a. Investment Property Under Construction**

| | 30/6/ 2011 US$ |
|---|---|
| **At 1 January** | **10 300 000** |
| Transfer to investment properties | - |
| Investment property related costs | - |
| Revaluation losses on investment property | (4 000 000) |
| Translation (gains)/losses | (13 447) |
| **At 30 June** | **6 286 553** |

As at 30 June 2011 Investment Property Under Construction is represented by Bela Logistic Center project in Odessa.

**b. Investment Property**

| | 30/6/ 2011 US$ |
|---|---|
| **At 1 January** | **33 631 000** |
| Transfer from investment property under construction | - |
| Investment property related costs | 90 156 |
| Impairment of investment property | (3 833 840) |
| Translation difference | (44 737) |
| **At 30 June** | **29 842 579** |

As of the reporting period, the ownership of Balabino village, ( a land plot of 21.19 ha located 3 km away from the boundary of the city of Zaporizzhya) was transferred to the Group following the default of a Group creditor(the relevant write off has been documented in 2009 and 2010 financial statements)who had offered the said land as collateral. The market value of the property according to valuation performed by DTZ Kiev B.V ("DTZ") in December 2010 is US$ 4,750,000 but the Board opted to take a provision on this value, carrying the property at $3,000,000.

Kiyanovskiy Lane, a property held by the Group since 2005, is carried in the accounting records of the Group at $7 049 330, following a provision of $2 000 000 taken by the Board as of the reporting period over the DTZ valuation of 31/12/2010.
Tsymlianskiy Lane, a property held by the Group since 2007, is carried in the accounting records of the Group at $2,496,685 as per the DTZ valuation of 31/12/2010.
Terminal Brovary, a property held by the Group since 2006, is carried in the accounting records of the Group at $17,296,563 as per the DTZ valuation of 31/12/2010. Please refer to Note 7 for more details on income as of the reporting period

### c. Advances for Investments

| | H1 2011<br>US$ | H1 2010<br>US$ |
|---|---|---|
| Advances for investments | 11 847 043 | 16 513 914 |
| Impairment provision (cumulative as of the reporting period) | (9 847 043) | (7 988 027) |
| **Total** | **2 000 000** | **8 525 887** |

The Group has made an advancement of US$ 11,9 million for the acquisition of a project in Podol (Kiev) in 2007. As of 31/6/2011 the management did not expect such project to proceed, while it expects that the seller will default on his credit to the Group. As a consequence, the Group has commenced legal procedures claiming the transfer of the collateral (land plot of 42 he in Kiev Oblast) to the Group. As both the valuation of the plot under arrest and the timing and costs of effecting the transfer are uncertain as of the date of this report, the management has taken a further provisional reduction (the total provision as of the reporting period ammounting to $9.847.043), so that the net ammount presented in the financial statments reflects the estimated fair market value of the plot which is the collateral for the advance (expected to come under the Group's ownership within the next 12 months).

### 12. Receivables

| | 30/6/ 2011<br>US$ | 30/6/ 2010<br>US$ |
|---|---|---|
| VAT receivable non current | 2 923 102 | 2 991 494 |
| Prepayments and other current assets | 2 472 503 | 2 613 230 |
| VAT and other tax receivable | 1 366 971 | 754 112 |
| Receivables from related parties | 148 374 | 1 256 |
| Impairment of prepayments and other receivables | (1 422 090) | (279 919) |
| **Total** | **5 488 860** | **6 080 173** |

The Board opted to take an impairment provision of $1,422,090 in the carrying amounts of the prepayments and other receivables, by taking into account the nature of these receivables and the probability ov the recoverability of the said amount by the Group.

### 13. Cash and Cash Equivalents

| | 30/6/ 2011<br>US$ | 30/6/ 2010<br>US$ |
|---|---|---|
| Cash at bank | 18 504 | 1 708 152 |
| **Total Cash and cash equivalents** | **18 504** | **1 708 152** |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**Six months ended 30 June 2011**

### 14. Share capital

| | 30 June 2011 Number of shares US$ | 30 June 2011 Share Capital US$ | 30 June 2011 Share Premium US$ | 30 June 2010 Number of shares US$ | 30 June 2010 Share Capital US$ | 30 June 2010 Share Premium US$ |
|---|---|---|---|---|---|---|
| **Authorised** | | | | | | |
| Ordinary shares of CY£0.01 each converted into EUR 0.01 each | 875 000 000 | | | 857 000 000 | | |
| **Issued and fully paid** | | | | | | |
| At 1 January | 414 272 792 | 5 431 918 | 92 683 930 | 192 194 975 | 2 283 299 | 92 683 930 |
| **At 30 June** | **414 272 792** | **5 431 918** | **92 683 930** | **192 194 975** | **2 283 299** | **92 683 930** |

### 15. Foreign Currency Translation Reserve

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

### 16. Non Controlling Interests

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

### 17. Borrowings

| | 30/6/ 2011 US$ | 30/6/ 2010 US$ |
|---|---|---|
| Principal | 15 550 059 | 16 000 000 |
| Principal due to related parties (Note 20) | 476 327 | - |
| Interests | 317 149 | - |
| **Total** | **16 343 535** | **16 000 000** |

**Non Current**

**EBRD**

In March 2011, the Group failed to make payment of the relevant instalments of the construction loan provide by EBRD fot the construction of Terminal Brovary- wharehouse. In May 2011 the Group signed a restructuring agreement with EBRD for the US$15.5m outstanding. The agreement provides Aisi with a grace period on the principal repayments until September 2012 (interest is to be paid quarterly), and extends the duration of the loan by 18 months compared with the original term. The loan bears interest at 3 months LIBOR plus 6.75%, and the principal is repayable in 33 quarterly instalments of US$ 470,588.The loan bears a 2% margin over the effective interest rate for the duration of the grace period, payable upon the termination of such period.

Additionally the Group signed with EBRD a call option allowing EBRD to purchase at a nominal price from the Group 20% of the participatory interest in the charter capital of LLC Terminal Brovary if an event of default occurs. If the option is exercised EBRD shall also be entitled to any dividend or any other distribution to the participants of the Borrower declared but not yet received by the Shareholder prior to the settlement date, on or with respect to such participatory interest purchased under the call option.

Following the restructuring, in June 2011 the Group, due to inadequate liquidity, failed to effect the first interest payment. The Directors and the Investor came into immediate contact with EBRD and secured its collaboration until the Investor signed the convertible loan (Note 23). In August 2011 the interest due was paid.

**The Investor-NARROWPEAK Ltd**

The Investor (Note 23), in view of the serious liquidity problems of the Group and in view of finalizing the Transaction, granted on 15/6/2011 a short term loan of up to $700,000, as a bridge loan to be part of the convertible bond.

**18. Accounts Payable and Other Provisions**

| | **30/6/ 2011**<br>**US$** |
|---|---|
| Account payables | |
| Payables to related companies (Note 20) | 8 933 236 |
| Fines payable (Note 21) | 1 502 390 |
| Payables for services | 2 569 019 |
| Guarantee reserve on construction works, current part | 814 866 |
| Guarantee reserve on construction works, non-current | 668 319 |
| Payables to directors | 628 379 |
| Accruals | 627 989 |
| Long-term liabilities for restructuring the loan | 310 522 |
| Long-term notes | 20 069 |
| VAT | 71 679 |
| Provisions (Note 21) | 579 219 |
| **Total** | **16 725 687** |

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

**19. Current tax liabilities**

| | **30/6/ 2011**<br>**US$** | **30/6/ 2010**<br>**US$** |
|---|---|---|
| Income tax | 554 342 | 510 240 |
| Special contribution for defence | 10 | |
| **Total Tax Liability** | **554 352** | **510 240** |

## 20. Related Party Transactions

The following transactions were carried out with related parties:

**Management fees (Note 8)**

| | H1 2011 US$ |
|---|---|
| Aisi Realty Capital LLC | 1 402 955 |
| | **1 402 955** |

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

**Payables to related parties**

| | 30/6/ 2011 US$ |
|---|---|
| Aisi Realty Capital LLC | 8 919 917 |
| Andro Namicheishvili | 13 320 |
| | **8 933 236** |

**Borrowings from related parties**

| | 30/6/ 2011 US$ |
|---|---|
| NARROWPEAK Ltd | 472 000 |
| Besik Sikharulidze | 4 327 |
| | **476 327** |

**Shareholder’s Loan Agreements**

AISI CAPITAL LTD has proceeded in providing capital in the form of shareholders’ loans to its Ukrainian subsidiaries to provide cash flow assistance, the pre-development stages of the projects, namely the designs and the building permit application, as well as various operational costs.

| Borrower | Repayment Date | Limit, USD | Already transferred, as of 30/6/2011, USD |
|---|---|---|---|
| LLC “TERMINAL BROVARY” | 19/12/2014 | 35.000.000 | 29 958 771 |
| LLC “AISI BROVARY” | 09/10/2014 | 40 000 000 | 4 275 000 |
| LLC “AISI BELA” | 19/4/2014 | 25 000 000 | 22 915 000 |
| LLC “AISI UKRAINE” | 18/10/2014 | 28 000 000 | 9 768 827 |
| LLC “ALMAZ PRES UKRAINE” | 21/3/2014 | 10 000 000 | 170 000 |
| LLC “AISI OUTDOOR" | 21/8/2014 | 5 000 000 | 2 160 000 |
| LLC “AISI VIDA” | 15/10/2014 | 10 000 000 | 310 000 |
| LLC “AISI VAL” | 15/10/2014 | 7 000 000 | 210 000 |
| LLC “AISI ROSLAV” | 15/10/2014 | 10 000 000 | 310 000 |
| LLC “AISI KONSTA” | 15/10/2014 | 8 000 000 | 610 000 |
| LLC “AISI ILVO” | 15/10/2014 | 10 000 000 | 610 000 |
| LLC "AISI DONETSK” | 19/11/2014 | 40 000 000 | 930 000 |
| LLC “TORGOVI CENTR" | 18/10/2014 | 10 000 000 | 120 000 |

## 21. Contingent liabilities and provisions

As at 30 June 2011, the Group was involved in various legal proceedings with certain former employees and other counter parties in the ordinary course of business. The directors consider the risk of any successful litigation against the Group as being included under the current Provisions amount. Provision for these potential liabilities amounts to US$ 579 219.

Other than that, fines payable to UVK were accrued and included into accounts payable in the amount of US$ 1 502.390 (Fines Payable)

A number of the land leases are held for the relatively short term and place an obligation upon the lessee to commence development prior to expiration date of the lease agreement. In the event that a development has not commenced upon the expiry of a lease, the City Authorities are entitled not to extend the lease agreement on the basis that the land is not used in accordance with its designation. Furthermore, in order to extend the lease agreement all necessary permissions and consents for development have to be presented to the authorities. However the management believes that the possibility of such action is remote and was taken only under limited circumstances in the past. In undertaking the valuations as of 31/12/2010 , 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.

### Insolvensy procedure

In February 2011 insolvency procedures have been initiated against the Company. The Board of Directors managed to effectively cancel the process in early June 2011

## 22. Commitments

### Operating lease commitments

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

| | 30 June 2011 | 30 June 2010 |
|---|---|---|
| | US$ | US$ |
| Less than one year | 73 995 | 68 885 |
| Between one and five years | 1 169 | 366 499 |
| More than five years | - | 2 073 223 |
| | 75 164 | 2 508 607 |

### Operating commitments

The Group has entered into construction agreements with the constructors of an investment property that was recognised as investment property under construction as at 30 June 2010 (Bela Logistics Park). These agreements, that have elapsed in April 2011, are under a termination process.

## 23. Events after the end of the reporting period

### Financial Restructuring-Convertible Bond

On 15 March 2011, the Company announced that the Board was in discussions with (i) certain existing Shareholders; and (ii) an independent third party investor group to provide a working capital facility, or other cash injection, to meet the short term funding requirements of the Group.

On 1/7/2011 the Company has signed an agreement with an independent third party, namely South East Continental Unique Real Estate (SECURE) Management, under which the Company has entered into a subscription agreement with Narrowpeak Consultants Limited (the Investor), a member of the SECURE Management group, for a substantial investment in the Company on certain terms.

Under the agreement, the Investor has conditionally agreed to subscribe for Bonds issued by the Company with aggregate value of US$8 million which shall be convertible, in certain circumstances, into 5.135.000 New Ordinary shares (see note below), and will be issued with class B warrants to subscribe for up to 1.091.000 New Ordinary shares. Each Class B Warrant will entitle the holder thereof to receive certain New Ordinary Share. The Class B Warrants may be exercised at any time from the earlier of the Maturity Date and exercise of not less than 75 % of the Bonds on the third anniversary of the date of the Class B Warrant Instrument. The exercise price of the Class B Warrants will be the nominal value per Existing Ordinary Shares or New Ordinary Shares as at the date of exercise. The Class B Warrant Instrument will have anti-dilution protections so that, in the event of further share issuances by the Company, the number of New Ordinary Shares to which the Investor is entitled will be adjusted so that the Investor receives the same percentage of the issued share capital of the Company (as nearly as practicable), as would have been the case had the issuances not occurred. This anti-dilution protection for the Investor will lapse on the earlier of (i) the expiration of the Class B Warrants; and (ii) capital increase(s) undertaken by the Company generating cumulative gross proceeds in excess of US$100,000,000.

The bonds and the class B warrants will be subscribed for and issued to the Investor in two tranches. The principal term of the bonds will be eight months and the annual interest during this eight month period will be 1% per annum. On the date eight calendar months following the issue of the first tranche of bonds (the Maturity Date), if the paid and then then current Liabilities are equal to or less than US$6.4 million, the bonds will automatically be converted into the ordinary shares , otherwise the bonds will be converted into shares at the sole discretion of the Investor. In such circumstances, from the Maturity Date until such conversion the bonds will bear interest at 10% per annum. The Bond is collaterilized by all the freehold assets of the Group which are not mortgaged.

Notwithstanding the above, the bonds will be able to be converted into ordinary shares at the Investor's discretion at any time between the date of the bond instrument and 31 December 2013 (excluding the Settlement Agreement-below).
For further details please refer to the Circular to Shareholders dated 01/07/2011 and the related AIM announcements.

In anticipation of the agreement signed finally on 01/07/2011 which became effective on 08/08/2011, the Investor entered into the Bridge Loan Facility Agreement on 15/6/2011(Note 17). The purpose of the Bridge Loan Facility was to provide the Group with funds to meet certain urgent liabilities that caused a high risk of default to the Group. The Bridge Loan Facility is secured by means of a mortgage granted by Group.

**New Ordinary Shares**
Following a Shareholder's approval, on July 2011, a capital reorganization was performed thereby consolidating the Existing Orinary Shares on the basis of 100 to 1. For further details please refer to the Circular to Shareholders dated 01/07/2011.
The New Ordinary Shares have been effected as of 15/8/2011.

**Future Capital Increas**e
The Board has also been authorized by the Shareholders, from the said EGM, to allot up to 2.6197.790 New Ordinary Shares at a price of £0.95 per Share. This authority will expire on the date of the first

anniversary of conversion of the Bonds.

The additional authority will enable the Company to raise up to US$4 million by means of an issue of Existing Ordinary Shares or New Ordinary Shares (as appropriate) at the conversion price of the Bonds (being £0.0095 per Existing Ordinary Share or £0.95 per New Ordinary Share (as appropriate)). It is anticipated that the Board will only need to utilise this authority in the event that, following completion of the Proposed Investment, the Company has a need for more working capital before the first anniversary of conversion of the Bonds.

For further details please refer to the Circular to Shareholders dated 01/07/2011.

**Settlement Agreement**

As a condition precedent for the Investment, the Group and the management signed a Settlement Agreement, according to which the Investment Manager agreed to release the Company from all claims and liabilities that have arisen under the Management Agreement which were owed by the Company to the Investment Manager. In consideration for this release, the Investment Manager will receive (i) cash payment of US$300,000; and (ii) Class A Warrants to subscribe for up to 273,000 New Ordinary Shares. The Class A Warrants have substantially the same terms as the Class B Warrants but will not benefit from the anti-dilution protection granted to the Class B Warrants.

The Settlement Agreement constitutes a related party transaction under Rule 13 of the AIM Rules for Companies. For further details please refer to the Circular to Shareholders dated 01/07/2011.

**Suspension and Restart of Trading**

On 1 June 2011 the Company made an announcement that it had requested that trading in the Existing Ordinary Shares on AIM to be suspended until such time that it had secured all necessary funding to enable to it to carry on as a going concern.

On August 16 trading has restarted, pursuant to the effect of the agreement with the Investor

**New CEO & CFO as of August 2011**

As of August 2011, and pursuant to the Convertible Bond Subscription Agreement (Circular of 01/07/2011) the Investor has appointed 4 new Board Members as well as a new Chief Executive Officer, Lambros G. Anagnostopoulos and a new Chief Financial Officer , Constantinos G. Bitros.

**Effect of EBRD loan restructuring**

As of September 2011, all the Conditions Precedent related to the EBRD loan restructuring have been met and the Group is now in full compliance.