AISI REALTY PUBLIC LIMITED

Report and Consolidated Financial Statements

31 December 2006 and 2005

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Besik Sikharulidze Elena Maximova Panagiota Constantinou (resigned 2 July 2007) Maria Elia (resigned 2 July 2007) Rodoulla Vrioni (resigned 2 July 2007) Paul Ensor (appointed on 2 July 2007) David Fitterman (appointed on 2 July 2007) Antonios Achilleoudis (appointed on 2 July 2007)
Secretary	Meritservus Secretaries Limited
Auditors	Deloitte & Touche Limited
Lawyers	Chrysses Demetriades & Co
Bankers	Bank of Cyprus

REPORT OF THE BOARD OF DIRECTORS

For the period/year ended 31 December 2005 and 2006

The Board of Directors presents its first report and audited financial statements of the Group from incorporation till 31 December 2006.

Principal activities

The principal activity of the Group is investment in the real estate market in Ukraine, especially in and around the major population centers of Ukraine, with a particular focus on the capital city, Kiev.

Results

The (loss)/profit for the period/year, after taxation was (US$706.512) and US$6.094.900 at 31 December 2005 and 2006.

Review of the development and current position of the Group

The Company successfully increased its equity through private placements and through its listing on the AIM market of the London's Stock Exchange on 1 August 2007. The Current Investment Portfolio comprises of five projects following the sale of one of the Company's projects in May 2007. The Directors currently estimate that completion of the development of the existing projects will require further funding which will be financed through a combination of equity and debt capital as well as pre-sales of residential properties where relevant.

Preliminary negotiations on the provision of debt financing have been held with a number of banks, including the European Bank for Reconstruction and Development, and the Directors currently anticipate that the Company will be able to obtain debt financing on acceptable terms.

Expected future developments of the Company

The Group is currently engaged in negotiations for the acquisition of additional land for further development but these negotiations are at early stages.

The Group is also reviewing other projects including a construction of a large distribution centre near Kiev.

Description of major risks and uncertainties

The Group's major operations are in Ukraine where economic reforms and development of its legal, tax and regulatory frameworks, as required by market economy is continuing, however the future stability of the Ukrainian economy is largely dependant upon these reforms and developments and their effectiveness.

Dividends

The Board of Directors does not recommend the payment of a dividend and the net result for the year is retained.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

For the period/year ended 31 December 2005 and 2006

Share capital

On 23 June 2005, the authorised and issued share capital of the Company was CY£ 10.000 divided into 10.000 ordinary shares of CY£ 1 each. On 4 October 2005, the authorised share capital of the Company was increased to CY£ 21.000 divided into 21.000 shares of CY£ 1 each and the issued share capital was increased to CY£ 21.000 by the issue of 20.000 shares of CY£ 1 at US$ 104.90 each.

On 19 March 2006, the authorised share capital of the Company was increased from CY£ 21.000 divided into 21.000 shares of CY£ 1 each, to CY£ 5 million divided into 500 million shares of CY£ 0.01 each and at the same time the shares were re-classified as follows: a) 50 million as voting ordinary shares and b) 450 million as non-voting convertible preference shares. At the same date, the issue shares were sub-divided from 21.000 shares of CY£ 1.00 each, into 2.1 million shares of CY£ 0.01 each and re-classified into 1.2 million voting ordinary shares and 0.9 million non-voting convertible preference shares.

On 5 April 2006, the issued share capital of the Company was increased by the issue of 7.9 million convertible preference shares at the issue price of US$ 1.00 each.

On 31 December 2006, the non-voting convertible preference shares of CY£ 0.01 automatically converted into voting ordinary shares and 5.024.981 ordinary shares of CY£ 0.01 were issued at US$ 1.00.

On 2 March 2007, the issued share capital of the Company was increased by the issue of 45 million shares of CY£ 0.01 at US$ 1.00 each.

On 30 April 2007, the nominal share capital of the Company was converted into EUR 8.75 million divided into 875 million new ordinary shares of EUR 0.01 each by the cancellation of the existing ordinary shares and the issuance of 7 new ordinary shares for every 4 existing ordinary shares currently held by the shareholders of the Company.

On 22 June 2007 the issued share capital of the Company was increased by the issue 10.937.500 shares of EUR 0.01 par at US$ 0.64 per share.

On 24 July 2007 50.210.601 new Ordinary shares of EUR 0.01 were issued at US$ 0.66 per share as a result of the Company being listed on the AIM market of the London's Stock Exchange.

On 25 July 2007, the Group issued warrants to an investor to subscribe for 10.937.500 ordinary shares and options to each of its Directors to subscribe for 263.158 ordinary shares.

See further Note 15 of the consolidated financial statements.

Board of Directors

The members of the Board of Directors in 2006 and 2005 are shown on page 2. The directors' fees were US$ 4.316 and US$ 1.326 for the years ended 31 December 2006 and 2005, respectively.

Paul Ensor, David Flitterman, and Antonios Achilleoudis were appointed new Directors of the Company in July 2007 and Dr. Franz Hoerhager was appointed in October 2007, all to hold office until the next Annual General Meeting. All four Directors have expressed their willingness to continue in office and a resolution will be put forward at the forthcoming Annual General Meeting for their re-election.

Mrs. Helen Maximov retires by rotation and being eligible offers herself for re-election.
Panagiota Constantinou, Maria Elia, and Rodoulla Vrioni resigned on 2 July 2007.

REPORT OF THE BOARD OF DIRECTORS (Cont'd)

For the period/year ended 31 December 2005 and 2006

Post balance sheet events

The material post balance sheet events are shown on page 15 of the Consolidation Financial Statements.

Auditors

Deloitte & Touche, expressed their wish not to seek re-election at the forthcoming Annual General Meeting.

Baker Tilly Ukraine has been offering services to the Group in Kiev and has gained knowledge of its operations. As such a resolution will be put forward at the forthcoming Annual General Meeting to elect Baker Tilly Proios auditors of the Company and to authorize the Board of Directors to fix their remuneration.

By order of the Board of Directors,

Meritservus Secretaries Ltd
Secretary

Limassol, 12 October 2007

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** (the "Company") and its subsidiaries (the "Group") on pages 9 to 26, which comprise the consolidated balance sheet as at 31 December 2005 and 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

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Independent Auditors' Report (Cont'd)

To the Members of Aisi Realty Public Limited

Report on the Consolidated Financial Statements (Cont'd)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005 and 2006, and of its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap 113.

Report on Other Legal Requirements

- 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.
- In our opinion, the information given in the report of the Board of Directors on pages 4 to 6 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 purpose or to any other person to whom this report may be divulged.

Deloitte & Touche Limited
Certified Public Accountants (Cyprus)

Limassol, 12 October 2007

CONSOLIDATED INCOME STATEMENTS

Year/period ended 31 December 2006 and 2005

	Notes	Year ended 31/12/06 US$	Period ended 31/12/05 US$
Income			
Miscellaneous income		50.040	-
Expenses and Fair Value Movements			
General and administrative expenses	**2**	(3.532.597)	(700.885)
Increase in fair value of investment property	**4**	14.110.087	-
		10.577.490	(700.885)
Other income and expenses			
Financial income/charges	**11**	(33.642)	(1.120)
Foreign exchange gains/losses	**11**	(12.404)	668
Other miscellaneous expenses	**11**	(5.481)	(5.175)
Total other income and expenses		(51.527)	(5.627)
Profit/(loss) before tax		10.576.003	(706.512)
Income tax expense	**9**	(4.511.103)	-
Profit/(loss)		6.064.900	(706.512)
Attributable to:			
Equity holders of the parent		3.252.009	(706.512)
Minority interest		2.812.891	-
Net profit/(loss)		6.064.900	(706.512)

CONSOLIDATED BALANCE SHEETS

As at 31 December 2006 and 2005

	Notes	2006 US$	2005 US$
Non-current assets			
Investment property	4	25.176.949	-
Property, plant and equipment	5	64.418	-
Advances for investments	13	-	1.244.000
		25.241.367	1.244.000
Current assets			
Advances to related parties	14	120.000	-
Prepayments and other current assets	6	222.388	38.200
Cash and cash equivalents		373.473	62.228
		715.861	100.428
Total assets		25.957.228	1.344.428
Current liabilities			
Accounts payables and accruals	7	2.245.300	143.220
Due to related parties	14	608.824	-
Income tax payable	9	77.462	-
Current portion of finance lease	8	8.878	-
		2.940.464	143.220
Non-current liabilities			
Long-term portion of finance lease	8	48.966	-
Deferred tax liability	9	4.433.641	-
		4.482.607	-
Total liabilities		7.423.071	143.220
Net assets		18.534.157	1.201.208
Equity			
Share capital	10	332.508	42.000
Share premium	10	14.288.867	2.058.000
Less notes payable from shareholders		(1.499.980)	(192.280)
		13.121.395	1.907.720
Accumulated profit/(loss)		2.545.497	(706.512)
Equity attributable to equity holders of the parent		15.666.892	1.201.208
Minority interests		2.867.265	-
Equity shareholders' funds		18.534.157	1.201.208

Signed on behalf of the Board of Directors on 12 October 2007,

Beso Sikharulidze | **Helen Maximov**

CONSOLIDATED CASH FLOW STATEMENTS

Year/period ended 31 December 2006 and 2005

	Year ended 31/12/06 US$	Period ended 31/12/05 US$
Operating activities		
Net profit/ (loss) before tax	10.576.003	(706.512)
Adjustments to reconcile net profit/(loss) for the year(period) to net cash used by operating activities:		
Depreciation	14.316	-
Increase/(decrease) in advances for investments	1.244.000	(1.244.000)
Increase in prepayments and other current assets	(184.188)	(38.200)
Increase in accounts payables and accruals	2.102.080	143.220
Increase in advances to related parties	(120.000)	-
Increase in due to related parties	608.824	-
Purchase and development of property	(11.066.862)	-
Gain on revaluation of investment property	(14.110.087)	-
Purchase of property, plant and equipment	(20.889)	-
Increase in minority shareholders' liability	54.374	-
Net cash used by operating activities	(10.902.429)	(1.845.492)
Financing activities		
Proceeds from shareholders' contributions	11.213.674	1.907.720
Net cash provided by financing activities	11.213.674	1.907.720
Net increase in cash and cash equivalents	311.245	62.228
Cash and cash equivalents at the beginning of the year/period	62.228	-
Cash and cash equivalents at the end of the year/period	373.473	62.228

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year/period ended 31 December 2006 and 2005

	Share capital	Share premium	Notes payable from Shareholders	Total capital	Retained earnings	Minority interest	Total
	US$	US$		US$	US$	US$	US$
Balance as at 1 January 2005	-	-	-	-	-	-	-
Shares issued	42.000	2.058.000	-	2.100.000	-	-	2.100.000
Notes payable from shareholder	-	-	(192.280)	(192.280)	-	-	(192.280)
Loss for the period	-	-	-	-	(706.512)	-	(706.512)
Balance as at 31 December 2005	42.000	2.058.000	(192.280)	1.907.720	(706.512)	-	1.201.208
Balance as at 1 January 2006	42.000	2.058.000	(192.280)	1.907.720	(706.512)	-	1.201.208
Payments for shares issued in 2005	-	-	-		-	-	
Shares issued	290.508	12.634.473	-	12.924.981	-	-	12.924.981
Capital raising costs	-	(403.606)	-	(403.606)	-	-	(403.606)
Notes payable from shareholders	-	-	(1.499.980)	-	-	-	(1.499.980)
Minority interest from purchase of subsidiaries	-	-		-	-	54.374	54.374
Profit for the year	-	-		-	3.252.009	2.812.891	6.064.900
Balance as at 31 December 2006	332.508	14.288.867	()	1.692.260	2.545.497	2.867.265	18.534.157

1. ACCOUNTING POLICIES

Background

The Company was incorporated in Cyprus on 23 June 2005 as a private company with limited liability and 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 3, Chrysanthou Mylona, Limassol, Cyprus.

On 14 March 2006, the Company changed its name from Smither Investments Ltd to Aisi Realty Ltd and on 12 April 2006 changed its name from Aisi Realty Ltd to AISI REALTY PUBLIC LIMITED.

Basis of preparation

The consolidated financial statements of AISI REALTY PUBLIC LIMITED and its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission. This financial information is presented in United States Dollars (the "US$" or "US Dollars").

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties. In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that may affect the financial statements.

All entities of the Group, except for AISI REALTY PUBLIC LIMITED and Aisi Capital Ltd maintain their accounting records in Ukrainian Hryvnia and in accordance with the accounting and reporting regulations of Ukraine. AISI REALTY PUBLIC LIMITED and Aisi Capital Ltd maintain their accounting records in US Dollars and in accordance with IFRS.

The Group's management has decided to present and measure this consolidated financial information in US Dollars for the following reasons:

- Owing to the nature of the Group's business, most of management's economic and operational decisions are based on US Dollars;
- The management believes that US Dollar reporting will better reflect the economic substance of the underlying events and circumstances relevant to the Group.

Ukrainian statutory accounting principals 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 consolidation financial information to be presented in accordance with IFRSs.

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

- Monetary assets and liabilities are translated at closing rate;
- Non-monetary assets and liabilities are translated into US Dollars using exchange rates in effect at the day of the transaction;
- Income and expense items are translated using exchange rates at the dates of the transactions;

All resulting exchange differences are recorded as a separate component of equity.

1. ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

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 were:

US Dollar 1= UAH 5.05 as at December 31, 2006 US Dollar 1 = UAH 5.05 as at December 31, 2005.

The Group's financial statements consolidate the financial statements of the Company and all its subsidiaries' undertakings for the years ended 31 December 2006 and 2005.

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 into line with those used by the Group.

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

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. The Group is exposed to interest rate risk in relation to its non-current intercompany 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. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in objectives, policies and procedures during the years ended 31 December 2006 and 2005.

General and administration expenses

Costs not directly attributable to individual properties are treated as administration expenses.

Other property expenses

Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the income statement as other property 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 income statement as incurred.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property principally includes freehold and leasehold land. Investment property is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Investment properties are professionally valued each year, on a market value basis, and any surpluses or deficits arising are taken to the income statement.

1. ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment include furniture and fixtures and are stated at cost less accumulated amortization. The vehicle held under finance lease is depreciated over its expected useful life on the same basis as owned assets.

Depreciation

The expected useful life of assets included in property, plant and equipment is 5 years.

Segmental analysis

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

Foreign currency

Transactions denominated in foreign currencies are recorded in US Dollars using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated into US Dollars using the exchange rate at the balance sheet date. Non monetary assets and liabilities which originated in currencies other than US Dollars have been translated into US Dollars using exchange rates in effect at the date of the transaction. Exchange differences resulting from these translations are included as a separate component of equity. Realised foreign currency gains and losses arising from the settlement of assets and liabilities are reflected in the income statement as a net foreign exchange gain or loss.

Use of estimates and assumptions

The preparation of consolidated financial information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible into a known amount of cash. Cash and cash equivalents comprise accounts with banks excluding any short term investments for which access to funds is restricted.

Provisions

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

Related party transactions

For the purpose of this financial information, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS No. 24 "Related Party disclosures". In considering each possible related party relationship attention is directed to the substance of the relationship, not merely the legal form.

1. ACCOUNTING POLICIES (Cont'd)

Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS No. 32 "Financial Instruments: Disclosure and Presentation" and IAS No. 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument. The carrying value of cash and cash equivalents, accounts receivable, other current assets, trade and other payables, long-term notes payable approximate their fair values.

For all financial assets and liabilities the carrying value is estimated to approximate the fair value as of 31 December 2006.

Foreign currency risk

The Group incurs foreign currency risk on intercompany borrowings that are denominated in a currency other than Hryvnias. The currencies giving rise to this risk are primarily US Dollars. Management does not hedge the Group's exposure to foreign currency risk.

Minority interests

Any difference between the consideration paid to acquire a minority interest or any difference between the consideration received upon disposal of a minority interest and the carrying amount of that portion of the Group's interest in the subsidiary, is recognised as equity increases (or decreases) in the parent shareholder's interest, so long as the parent controls the subsidiary. The presentation of minority interest within equity supports the recognition of increases and decreases in ownership interests in subsidiaries without a change in control as equity transactions in the pro forma consolidated financial statements. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from (or sales of equity instruments to) minority interests is recognized directly in the parent shareholder's equity.

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.

Earning 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 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 plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares.

1. ACCOUNTING POLICIES (Cont'd)

Deferred taxation

The subsidiaries of the Group are incorporated in Ukraine and the parent of the Group is incorporated in Cyprus. The Group's management and control is exercised in Cyprus. There is no withholding tax or special defence contribution on the dividend income to be received from the Ukrainian subsidiaries as provided for by the current tax treaty.

In the event that future developments are disposed of 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. In accordance with IFRS the Group has recognised the deferred tax liability that would arise in the event that the Group disposed of assets rather than shares in subsidiaries (Note 9).

Deferred tax is the tax expected to be payable on differences between the carrying amounts of assets in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when liability is settled. Deferred tax arising from revaluation of the non current assets is transferred to the income statement for the year.

2. ADMINISTRATION EXPENSES

Costs not directly attributable to individual properties are treated as administration expenses.

	2006	2005
	US $	US $
Accounting	231.389	153.392
Audit	80.000	-
Legal	314.413	220.218
Wages	90.313	11.225
Depreciation	14.315	-
VAT, taxes and duties	17.307	-
Lease expenses	99.152	-
Office expenses	125.677	12.690
Management fee	198.007	-
Transaction costs	138.735	-
Bed debt expense	134.007	-
Travel costs	497.344	274.831
Marketing	30.973	28.529
Litigation	1.510.000	-
Other	50.965	-
	3.532.597	700.885

Employee information

The average number of employees of the Group, including directors, comprising:

	2006 Number	2005 Number
Head office and administration	10	3

In 2006, directors received fees of US$ 55.186 (2005: US$ 11 225).

3. EARNINGS AND NET ASSET PER SHARE

In January 2006 the European Real Estate Association (EREA) issued guidance for the calculation of assets per share and earnings per share. These calculations have been adopted by the Group and are set out below.

Weighted average number of ordinary shares

	2006 No.	2005 No.
Issued ordinary shares capital at 1 January	3.675.000	-
Ordinary shares issued	22.618.717	3.675.000
Issued ordinary shares capital at 31 December	26.293.717	3.675.000
Weighted average number of ordinary shares	13.925.805	1.474.578
Diluted weighted average number of ordinary shares	13.925.805	1.474.578

The per-share computations below retroactively reflect the changes in number of shares occurred as a result of conversions in March 2006 and April 2007 for all periods presented.

Basic, diluted and adjusted earnings per share

	2006 Profit after tax US$	2006 Earnings per share US$	2005 Loss after tax US$	2005 Loss per share US$
Basic	3.252.009	0.23	(706.512)	(0.48)
Diluted	3.252.009	0.23	(706.512)	(0.48)
Deferred tax on revaluation of investment properties	4.433.641	0.32	-	-
Litigation accrual	1.510.000	0.11	-	-
Minority interest, net	700.000	0.05	-	-
Adjusted	9.895.650	0.71	(706.512)	(0.48)

3. EARNINGS AND NET ASSET PER SHARE (Cont'd)

Net assets per share

	2006 Net asset US$	2006 No. of shares	2006 Net assets per share US$	2005 Net asset US$	2005 No. of shares	2005 Net assets per share US$
Basic	15.666.892	26.293.717	0,60	1.201.208	3.675.000	0.33
Diluted	15.666.892	26.293.717	0,60	1.201.208	3.675.000	0.33
Deferred tax on revaluation of investment properties	4.433.641	26.293.717	0.17	-	-	-
Litigation accrual	1.510.000	26.293.717	0.05	-	-	-
Minority interest, net	700.000	26.293.717	0.03	-	-	-
Adjusted	22.310.533	26.293.717	0.85	1.201.208	3.675.000	0.33

The deferred tax adjustment above has been made on the basis that the Group would dispose of shares in subsidiary companies, rather than assets, and would not expect to crystallise a tax charge on disposal.

4. INVESTMENT PROPERTY

	2006 US$	2005 US$
At 1 January	-	-
Acquisitions	10.481.809	-
Revaluation gain on investment property	14.110.087	-
Investment property related costs	585.053	-
At 31 December	25.176.949	-

"Investment property" is the land held by the Company for future development. Investment property is originally recorded at fair value at the date of acquisition. Subsequent expenditure in relation to investment property that has already been recognized is added to the carrying amount of the investment property when it is probable that the future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the enterprise. All other expenditures are recognized as expenses in the period in which they are incurred.

On acquisitions dates and as at December 31, 2006, the property was valued by DTZ Zadelhoff Tie Leung ("DTZ"), an external valuer. All valuations were carried out by appropriately qualified valuers. The valuer's opinion of the Market Value of each property has been primarily derived using comparable recent market transactions on an arm's length basis and 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.

5. PROPERTY, PLANT AND EQUIPMENT

	2006 US$	2005 US$
At 1 January	-	-
Furniture and fixtures	12.275	-
Vehicle under finance lease	66.265	-
Less: Accumulated depreciation	(14.122)	-
At 31 December	64.418	-

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	2006 US$	2005 US$
VAT and other taxes receivable	135.102	-
Other prepayments	87.286	38.200
	222.388	38.200

VAT is levied at a 20% rate on Ukrainian domestic sales and imports of goods, works and services. A VAT credit is the amount that a taxpayer is entitled to offset against its VAT liability in the reporting period. Rights to VAT credit arise on the earlier of the date of payment to the supplier or from the date when good are received.

7. TRADE AND OTHER PAYABLES

	2006 US$	2005 US$
Litigation accrual	1.510.000	-
Audit and accounting fees	105.000	-
Capital raising fees	338.748	-
Accruals	151.002	138.180
Other	140.550	5.040
Total	2.245.300	143.220

Capital raising fees are due to a director and a shareholder of the Group.

8. LEASES

Assets held under finance lease term of 5 years are initially recognized as an asset at fair value at the inception of the lease or, if lower, at the present value of the minimum lease payment. The corresponding liability to the lessor is included in the balance sheet as 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 directly to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

8. LEASES (Cont'd)

Finance lease commitments are payable as follows:

	Minimum lease payment 2006 US$	Interest 2006 US$	Principal 2006 US$	Minimum lease payment 2005 US$	Interest 2005 US$	Principal 2005 US$
Less than one year	8.878	2.932	5.946	-	-	-
Between one and five years	48.966	7.372	41.594	-	-	-
More than five years	-	-	-	-	-	-
	57.844	10.304	47.540	-	-	-

Included in the financial statements as:

Current borrowings	8.878	
Non-current borrowings		48.966
Present value of minimum lease payments		57.844

Operating lease commitments including the Group's leasehold properties are payable as follows:

	Minimum lease payments 2006 US$	Minimum lease payments 2005 US$
Less than one year	144.116	198.116
Between one and five years	592.878	466.878
More than five years	57.260	50.102
Total	794.254	715.096

9. TAXES

	2006 US$	2005 US$
Tax calculated at the applicable tax rate	77.462	
Deferred tax related to revaluation gain on investment property	4.433.641	-
Tax charge for the year	4.511.103	-

The difference between the standard rate of tax and the effective rate of tax arises from the items set out below:

	2006 US$	2005 US$
Profit/(loss) before tax	10.576.003	(706.512)
Tax at 25%	2.644.000	(176.628)
Other movements in deferred tax	983.581	-
Losses not recognised	883.522	176.628
Tax charge for the year	4.511.103	-

The Deferred tax liability includes the following:

	1 January 2006 US$	Recognised in income US$	Book value 31 December 2006 US$
Deferred tax liability related to investment property revaluations	-	4.433.641	4.433.641
Net deferred tax provision	-	4.433.641	4.433.641

The deferred tax liability set out above would crystallise in the event that assets are disposed of. In the event that those shares in property holding companies are disposed of no tax charge is expected to arise.

10. SHARE CAPITAL

	2006 No. of shares	2006 Share Capital US$	2006 Share Premium US$	2005 No. of shares	2005 Share Capital US$	2005 Share Premium US$
Authorised						
Ordinary shares of CY£ 1 each	500.000.000	-	-	21.(	42.000	-
Issued and fully paid						
On 1 January	21.000	42	2.058.000	-	-	-
Issue of shares during 2005	-	-	-	21.00 0	42.000	2.058.000
Issue of shares during 2006	12.924.981	290	12.634.473	-	-	-
Conversion of shares at 1:100 in 2006	2.079.000	-	-	-	-	-
Capital raising fees	-	-	(403.606)	-	-	-
At 31 December	15.024.981	332	14.288.867	21.(	42.000	2.058.000

On 19 March 2006, the number of authorised shares of the Company was increased from 21.000 to 500.000.000.

Outstanding at 31 December 2005 were 192.280 ordinary shares (US$ 0.02 par) which were fully paid in January 2006 at US$ 1 per share. Outstanding at 31 December 2006 were 1.499.980 ordinary shares (US$ 0.02 par) which were fully paid in January 2007 at US$ 1 per share.

Subsequent to year end 500.000.000 ordinary shares of the Company were converted to 7 new shares for every 4 existing ones, and their nominal value was changed from CY£ 0.01cent to EUR 0.01 cent per share.

11. OTHER INCOME AND EXPENSES

	2006 US$	2005 US$
Financial charges	(33.642)	(1.120)
Foreign exchange (losses)/gains	(12.404)	668
Other miscellaneous expenses	(5.481)	(5.175)
At 31 December	(51.527)	(5.627)

Financial charges include interest and fees paid to banks. Foreign exchange gains/losses include transactions gains and losses on currency conversions.

12. NON-CASH MOVEMENTS IN THE CASH FLOW STATEMENT

	2006 US$	2005 US$
Advances due to a shareholder converted into shares	-	1.907.720
Asset purchased under finance leases	57.845	-

There was no interest or income taxes paid in 2006 and 2005.

13. ACQUISITIONS

During 2006, the Group acquired four companies; the primary assets held by these companies were development land. The cost of 2006 acquisitions paid was US$ 10.481.809 and was paid in cash (see Note 4 Investment property). The acquired companies' net asset values were immaterial. Advances for investments totalling US$ 0 (2005 - US$ 1.244.000) comprises deposits in respect of acquisitions completed in 2006.

14. RELATED PARTIES

The Company has an investment management agreement with Aisi Realty Capital LLC, a management company. In return for the investment management services, Aisi Realty Capital LLC receives a management fee of 2.5% of the committed capital. For the years ended December 31 2006 and 2005, Aisi Realty Capital LLC received US$186.100 and US$0 in the management fees, respectively.

Transactions costs of totalling US$ 807.404 and US$ 570.000 were incurred by Aisi Realty Capital LLC in its capacity as the investment manager in the year ended 31 December 2006 and period ended 31 December 2005, and are included in the general and administration expenses as defined by the investment management agreement.

Two members of the investment manager are nominal shareholders in the subsidiaries with the interest holding of 1%.

Included in advances to related parties of US$ 120.000 are advances to the former shareholders of the portfolio companies.

A member of the Investment manager receives payments totalling US$ 135.156 per annum under consulting agreement between the individual and the Company.

14. RELATED PARTIES (Cont'd)

Amounts due to related parties include the following:

	2006 US$	2005 US$
Due to Aisi Realty Capital LLC	427.927	-
Due to former shareholders of the acquired companies	116.745	-
Due for services outsourced to administrator	50.141	-
Others	14.011	-
	608.824	-

15. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group formed Aisi Bela which acquired land for approximately US$ 6 million.

On 2 March 2007, the issued share capital of the Company was increased by the issue of 45 million shares of CY£ 0.01 at US$ 1.00 each.

On 30 April 2007, the nominal share capital of the Company was converted into EUR8.75 million divided into 875 million new ordinary shares of EUR 0.01 each by the cancellation of the existing ordinary shares and the issuance of 7 new ordinary shares for every 4 existing ordinary shares currently held by the shareholders of the Company.

In May 2007, the Group sold its 60.6% interest in Aisi Taurus for approximately US$ 3 million.

In June 2007, the Company has acquired several new projects with a total cost of US$10 million. The acquisitions were financed with a US$ 10 million bridge loan, secured by land mortgage.

On 22 June 2007 the issued share capital of the Company was increased by the issue 10.937.500 shares of EUR 0.01 par at US$ 0.64 per share.

On 24 July 2007 50.210.601 new Ordinary shares of EUR 0.01 were issued at US$ 0.66 per share as a result of the Company being listed on the AIM market of the London's Stock Exchange. As a result, the issued share capital increased to US$ 100.1 million.

A series of warrants have been issued to the Founding Shareholders which entitle the Founding Shareholders (except Tudor) to subscribe at par value per Ordinary Share for such number of Ordinary Shares which when multiplied by US$ 0.57 equals the difference between the market value of the Company's legal interests in the Current Investment Portfolio at the date of Admission and at the date being six months after the date of Admission. These warrants must be exercised within 30 days from the date of notification from the Investment Manager or else they will lapse.

A warrant agreement dated 25 July 2007 entered into between the Company and Tudor Capital pursuant to the terms of which the Company has granted to Tudor Capital, conditionally upon Admission, warrants to subscribe for 10.937.500 Ordinary Shares. These warrants must be exercised within 30 days of the date being the first anniversary of Admission or else they will lapse. The exercise price of the warrants is US$ 0.64 per Ordinary Share.

Pursuant to option deeds dated July 25, 2007 the Company has issued options to each such Director which entitles each such Director to subscribe for 263.158 Ordinary Shares. 175.439 of these options are exercisable immediately after the Admission at a price of US$ 0.57. The remaining 87.719 options will be capable of exercise 30 days following the first anniversary of Admission at an exercise price being 25 per cent above the Placing Price.

In September 2007, the Company has acquired an outdoor advertising company for the total cost of US$ 2.1 million.

16. CONTINGENCIES AND COMMITMENTS

The Company is a party to a litigation matter related to complaints filed by the Company's former employee. Since the outcome of this litigation and the range of any possible loss cannot be estimated, no accrual has been in the Company's financial statements. Management does not believe the results of legal proceedings will have a material effect on the Group's financial position or results of operations.

The estimated maximum exposure of US$ 1.510.000 for the litigation related to complaints filed by a third party involved in the fund raising for the Company has been accrued in the accompanying financial statements.

Under certain conditions, as defined in the respective purchase and sale agreement, the Company has a put option that would allow the Company to sell its interest back to seller at the price higher than the original purchase price. The fair value of this option is not considered to be material.

The Company has an obligation to purchase the remaining minority interests in the event that certain conditions, as defined in the relevant sale and purchase agreement, arise. The directors have considered the likelihood of these conditions arising and consider them to be remote.