TMM Real Estate Development plc

Interim pro forma consolidated financial statements
30 June 2006

These interim pro forma consolidated financial statements contain 45 pages

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(in thousands of US Dollars)	*Note*	**30 June 2006 (unaudited)**	31 December 2005
Assets			
Non-current assets			
Property and equipment	*4*	**58,585**	49,193
Investment property	*5*	**20,900**	15,476
Investments in unconsolidated subsidiaries		**7,965**	6,975
Investments in associates		**23**	24
Long-term deposit		**119**	119
Restricted cash		**-**	184
		87,592	71,971
Current assets			
Inventories	*6*	**75,094**	50,571
Accounts and notes receivable	*7*	**38,216**	45,411
Taxes receivable	*8*	**5,437**	3,359
Advances to suppliers		**24,062**	7,644
Cash and cash equivalents		**2,328**	10,059
		145,137	117,044
Total assets		**232,729**	189,015

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

(in thousands of US Dollars)	*Note*	**30 June 2006 (unaudited)**	31 December 2005
Equity and liabilities			
Equity			
Share capital	*9*	**3**	3
Additional paid-in capital		**2,592**	2,592
Revaluation reserve		**26,810**	21,619
Retained earnings		**35,546**	35,267
Translation reserve		**2,585**	2,585
Total equity attributable to equity holders of the parent		**67,536**	62,066
Minority interest		**2,304**	2,325
Total equity		**69,840**	64,391
Non-current liabilities			
Long-term loans and borrowings	*10*	**10,183**	14,440
Deferred tax liability	*20*	**8,031**	5,682
		18,214	20,122
Current liabilities			
Short-term loans and borrowings	*10*	**14,479**	9,944
Current portion of long-term loans and borrowings	*10*	**165**	78
Accounts and notes payable	*11*	**21,906**	23,521
Taxes payable	*12*	**1,336**	505
Advances received from customers	*13*	**106,789**	70,454
		144,675	104,502
Total equity and liabilities		**232,729**	189,015

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

(in thousands of US Dollars)	*Note*	Six months ended **30 June 2006 (unaudited)**	30 June 2005 (unaudited)
Revenues	*14*	**11,001**	13,608
Cost of revenues	*15*	**(10,279)**	(13,254)
Gross profit		**722**	354
Other income		**182**	123
General administrative expenses	*16*	**(4,275)**	(2,579)
Selling and distribution expenses	*17*	**(382)**	(357)
Gain on revaluation of investment property	*5*	**5,424**	255
Bad debt (expense) recovery	*7*	**(765)**	620
Other expenses	*18*	**(503)**	(1,537)
Financial costs, net	*19*	**495**	(1,002)
Profit (loss) before tax		**898**	(4,123)
Income tax (expense) benefit	*20*	**(637)**	830
Net profit (loss)		**261**	(3,293)
Attributable to:			
Participants of the parent		**282**	(3,293)
Minority interest holders		**(21)**	-
Net profit (loss)		**261**	(3,293)
Weighted average basic and diluted shares (in thousands of shares)	*9*	**45,000**	45,000
Basic and diluted earnings (loss) per share (in US dollars)		**0.0053**	(0.0732)

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

		Six months ended	
(in thousands of US Dollars)	*Note*	**30 June 2006 (unaudited)**	30 June 2005 (unaudited)
Operating activities			
Profit (loss) before tax and minority interest		**898**	(4,123)
Adjustments for:			
Depreciation	*4*	**534**	313
Impairment of property and equipment		**-**	33
(Recovery of) provision for doubtful debts	*7*	**(765)**	620
Trade accounts payable write-off		**(18)**	(19)
Gain on revaluation of investment property	*5*	**(5,424)**	(255)
Loss on disposal of property and equipment	*18*	**-**	192
Share in profit of associates		**1**	-
Interest income	*19*	**(152)**	(71)
Interest expense	*19*	**156**	174
Increase in inventories		**(22,491)**	(7,709)
Decrease in accounts and notes receivables		**7,959**	12,261
Increase in advances to suppliers		**(16,417)**	(7,612)
Increase in taxes receivable		**(2,078)**	(2,492)
Decrease in accounts and notes payable		**(1,734)**	(6,520)
Increase in advances received from customers		**36,335**	9,176
Increase in taxes payable		**852**	1,633
Income taxes paid		**(2,277)**	(1,183)
Interest received		**151**	71
Interest paid		**(39)**	(7)
Cash flows used in operating activities		**(4,509)**	(5,518)

(*continued*)

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

(in thousands of US dollars)	*Note*	Six months ended **30 June 2006 (unaudited)**	Six months ended 30 June 2005 (unaudited)
Investing activities			
Purchase of property, plant and equipment	*4*	**(3,216)**	(1,367)
Proceeds from sale of property, plant and equipment		**12**	213
Purchase of investments in unconsolidated subsidiaries		**(990)**	-
Purchase of investments in associates		**-**	(20)
Placement of long-term deposit		**-**	(116)
Release of restricted cash		**184**	-
Cash flows used in investing activities		**(4,010)**	(1,290)
Financing activities			
Proceeds from loans and borrowings		**20,927**	6,904
Repayments of loans and borrowings		**(20,139)**	(5,042)
Proceeds from bonds issuance		**-**	2,880
Cash flows provided by financing activities		**788**	4,742
Net decrease in cash and cash equivalents		**(7,731)**	(2,066)
Cash and cash equivalents as at 1 January		**10,059**	2,422
Effect of exchange rate fluctuations on cash and cash equivalents held		**-**	62
Cash and cash equivalents as at 30 June		**2,328**	418

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

	Attributable to equity holders of the parent						**Minority interest**	**Total equity**
(in thousands of US dollars)	**Share capital**	**Additional paid-in capital**	**Revaluation reserve**	**Retained earnings**	**Translation reserve**	**Total**		
Balance as at 1 January 2006	**3**	**2,592**	**21,622**	**35,264**	**2,585**	**62,066**	**2,325**	**64,391**
Revaluation of property (unaudited)	**-**	**-**	**6,918**	**-**	**-**	**6,918**	**-**	**6,918**
Deferred tax on revaluation of property (unaudited)	**-**	**-**	**(1,730)**	**-**	**-**	**(1,730)**	**-**	**(1,730)**
Net profit (loss) (unaudited)	**-**	**-**	**-**	**282**	**-**	**282**	**(21)**	**261**
Total recognised income and expenses (unaudited)	**-**	**-**	**5,188**	**282**	**-**	**5,470**	**(21)**	**5,449**
Balance as at 30 June 2006 (unaudited)	**3**	**2,592**	**26,810**	**35,546**	**2,585**	**67,536**	**2,304**	**69,840**
Balance as at 1 January 2005	3	1,367	10,767	30,575	172	42,884	245	43,129
Revaluation of property (unaudited)	-	-	5,313	-	-	5,313	137	5,450
Deferred tax on revaluation of property (unaudited)	-	-	(1,328)	-	-	(1,328)	(34)	(1,362)
Net loss (unaudited)	-	-	-	(3,293)	-	(3,293)	-	(3,293)
Currency translation adjustment (unaudited)	-	-	-	-	2,045	2,045	15	2,060
Total recognised income and expenses (unaudited)	-	-	3,985	(3,293)	2,045	2,737	118	2,855
Balance as at 30 June 2005 (unaudited)	3	1,367	14,752	27,282	2,217	45,621	363	45,984

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

1 Background

(a) Organization and operations

These interim pro forma consolidated financial statements are prepared by TMM Real Estate Development plc (the Company), a Cyprus public company incorporated in Nicosia, Cyprus on 30 November 2006 under Cyprus law under the name Espina Holdings Ltd. The Company was renamed TMM Real Estate Development Ltd on 5 January 2007. The address of the Company's registered office is Lampousas 1, P.C. 1095, Nicosia, Cyprus and its principal place of business is located at Gali Timofeevoj 3, Kyiv, Ukraine 03055.

On 17 April 2007, the shareholders of Firm "TMM", LLC (Ukraine) (TMM) contributed their shares to the Cyprus based company TMM Holdings Ltd. On 17 April 2007, TMM Holdings Ltd contributed its entire shareholding in TMM to TMM Real Estate Development Ltd, which owns 99.99% of the share capital of TMM from that date. TMM in turn controls a number of subsidiaries in Ukraine. On 10 May 2007, TMM Real Estate Development Ltd changed its name to TMM Real Estate Development plc in connection with the transformation to a public company. These pro forma consolidated financial statements are prepared as if these transactions occurred before 1 January 2004 (note 2(b)).

The Company and its subsidiaries are collectively referred to as the Group.

The Company mainly acts as a holding company and exercises control over the operations of its subsidiaries.

The principal operations of the Group are construction and development of residential and business properties in Kyiv, Kharkiv, Zhyromir, and Yalta regions of Ukraine.

(b) Ukrainian business environment

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. These interim pro forma consolidated financial statements reflect management's current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position may be significant.

2 Basis of preparation

(a) Statement of compliance

These interim pro forma consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These interim pro forma consolidated financial statements are based on certain pro forma assumptions described in note 2(b).

The Group adopted the amended versions of IFRS that are effective for accounting periods beginning on 1 January 2006.

(b) Basis of preparation

The consolidated interim pro forma consolidated financial statements are prepared for the purpose of presenting the consolidated financial position, results of operations and cash flows of the Group as if a restructuring described in note 2(b)(ii) had taken place before 1 January 2004.

(i) Consolidated subsidiaries and associates

The subsidiaries and associates included in these interim pro forma consolidated financial statements are as follows:

Name	Activity	**30 June 2006 % of ownership (unaudited)**	30 June 2005 % of ownership (unaudited)
Subsidiaries:			
Firm “TMM”, LLC	Construction and development	100.0%	100.0%
“Palladiy”, LLC	Development project	100.0%	-
“TMM Budkomplekt”, LLC	Production of construction materials	90.0%	90.0%
CJSC “Tavrida Plaza”	Development project	74.9%	74.9%
LLC “Adept-2004”	Development project	70.0%	-
“Ukrstsukorteploizoliatsia”, OJSC	Development project	63.7%	-
Associates:			
“TMM Energobud”, CJSC	Development project	50.0%	-
“Ekotechservice”, LLC	Development project	41.0%	41.0%

The Group is primary beneficiary of the following entities:

Name	**Location**
DP TG "Ekipazh", LLC	Kharkiv
"Stimul LTD+", LLC	Kharkiv

DP TG "Ekipazh", LLC and "Stimul+", LLC are special purpose entities (SPEs) established to obtain rights to perform construction on plots of land owned by these entities. The Group does not have any direct ownership in these entities. All companies are separate legal entities and individual taxpayers.

All subsidiaries, associates and SPEs are incorporated in Ukraine.

(ii) Pro forma adjustments

Certain pro forma adjustments are made to these financial statements as at and for the years ended 31 December 2005 and 2004.

During 2006 and 2007 the Group has carried out a restructuring of its activities. As a result, interests in activities other than its primary construction and development business have been disposed of (see note 24), and the ownership of the remaining activities has been transferred to a newly established holding company, TMM Real Estate Development plc, as described in note 1(a) above. The purpose of these pro forma consolidated financial statements is to present the consolidated financial position, consolidated results of operations and consolidated cash flows of the construction and development business as if the restructuring, including the formation of and the transfer of ownership the business to TMM Real Estate Development plc, had taken place before 1 January 2004.

As a result, investments in subsidiaries and associates that legally formed part of TMM but were disposed of in the restructuring have not been consolidated or accounted for under the equity method. The investments, which are accounted for at cost in these pro forma consolidated financial statements, are as follows:

		2005	**2004**
Name	**Activity**	**% of ownership**	**% of ownership**
Subsidiaries:			
"Sevastopol meat processing plant", CJSC	Production	70.00%	70.00%
"Kharkiv plant of construction materials", LLC	Production	82.00%	82.00%
Insurance Company "Oriana", CJSC	Insurance	58.26%	58.26%
"TMM-Bank", OJSC	Banking	48.79%	48.79%

All subsidiaries and associates disposed of as part of the restructuring are incorporated in Ukraine.

(c) Basis of measurement

These interim pro forma consolidated financial statements are prepared on the historical cost basis except for buildings and investment property.

Buildings are stated at revalued cost less accumulated depreciation and impairment losses.

Investment property is stated at fair value.

Following International Financial Reporting Standard IAS 29 *Financial Reporting in Hyperinflationary Economies,* non-monetary assets and liabilities are restated through 31 December 2000 by applying general price indices from the dates they were contributed or otherwise arose, to reflect the effect of the hyperinflationary conditions, which existed in Ukraine from 1 January 1991 to 1 January 2001.

(d) Functional and presentation currency

Ukrainian hryvnia (UAH) is the functional currency of TMM Real Estate Development plc and the operating subsidiaries and associates in Ukraine.

Management chose to present interim pro forma consolidated financial statements in United States Dollars (USD). The financial data of the Group are converted from UAH to USD and are rounded to the nearest thousand.

For the purposes of presenting pro forma consolidated interim financial statements, assets and liabilities are translated for companies operating in Ukraine from UAH to USD using the closing rates at each balance sheet date, and income and expenses are translated at the average rates for each respective period. The rates are obtained from the National Bank of Ukraine.

The translation of the hryvnia denominated assets and liabilities into USD as at 31 December 2005 is not intended to imply that the Group could realise or settle the translated values of those assets and liabilities in USD.

The Ukrainian hryvnia is not a convertible currency outside Ukraine and, accordingly, any conversion of UAH amounts into USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

(e) Critical accounting estimates and judgments in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the

judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The most significant estimates and assumptions are as follows:

- ***Accounts and notes receivable and advances to suppliers***. Management estimates the likelihood of the collection of accounts and notes receivable and advances to suppliers based on an analysis of individual accounts. Factors taken into consideration include an ageing analysis of trade receivables in comparison with the credit terms allowed to customers, and the financial position and collection history with the customer. Should actual collections be less than management estimates, the Group would be required to record additional impairment expense.

- ***Inventories.*** Management estimates the necessity of write down of inventories to their net realizable value taking into consideration the prices at which inventories may be sold at the balance sheet date and the purpose for which inventory is held. Should the cost of inventories not be fully recoverable, the Group would be required to record expenses to adjust inventory to net realizable value.

- ***Buildings.*** Buildings are carried at fair value less accumulated depreciation and impairment losses. Annually management obtains an independent appraisal performed by the consulting company "International Legal Company Solomon-Group", LLC to estimate fair value. For interim reporting periods management collects relevant market related data to revise estimates made by the independent appraiser. The method used to estimate fair value is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. Estimating the fair value of buildings requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors.

- ***Investment property.*** Investment property is carried at fair value. Annually management obtains an independent appraisal performed by the consulting company "International Legal Company Solomon-Group", LLC to estimate fair value. For interim reporting periods management collects relevant market related data to revise estimates made by the independent appraiser. The method used to estimate fair value is the market approach and involves judgements as described above.

- ***Determination of percentage of completion on construction contracts.*** Management estimates the percentage of completion on construction contracts by reference to the actual costs incurred compared to the total anticipated costs of the project. When percentage of completion can not be estimated reliably, but it is probable that no losses will be incurred on the total contract, contract revenue is recognised only to the extent of contract costs incurred. An expected loss on a contract is recognised immediately in profit or loss.

- ***Accruals for tax risks.*** Management estimates the amount of potential taxes and penalties by assessing the likelihood of payment of such taxes and penalties and applying effective rules of the tax authorities. The accruals are retained until the right of the tax

authorities to carry out tax inspections expires (being generally three years) or earlier, if a tax inspection is concluded without any issues being raised. Actual payments of additional taxes depend on the ability of the tax authorities to challenge the existing arrangements and interpretations of the applicable tax legislation as well as changes in the tax legislation. If the interpretations of the tax authorities are different from management's interpretation, the Group would be required to record additional taxes and penalties.

3 Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of these interim pro forma consolidated financial statements.

(a) Changes in accounting policies

Certain new and amended IFRSs became effective on 1 January 2006. Listed below are these new or amended standards that are or in the future could be relevant to operations. The changes in accounting policies are applied retroactively unless otherwise stated.

- International Financial Reporting Standard IFRIC 4 *Determining Whether an Arrangement Contains a Lease* is effective for annual periods beginning on or after 1 January 2006. The Interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease.

There is no impact on opening equity arising from the adoption of this standard.

(b) Subsidiaries and associates

Subsidiaries are those enterprises controlled separately by an entity. Control exists when the Company 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 statements of subsidiaries are included in the pro forma consolidated financial statements of the Group from the date that control effectively commences until the date that control effectively ceases.

Associates are those enterprises in which the Company has significant influence, but not control, over their financial and operating policies. The pro forma consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group are established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving all of the benefits related to the SPEs' operations and net assets.

(c) Business combinations

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised in accordance with IFRS 3 *Business Combination* exceeds the cost of the business combination, the Group reassesses the identification and measurement of the acquired company's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination, and recognises immediately in profit or loss any excess remaining after that reassessment.

(d) Acquisition and disposal of 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 increases (or decreases) in equity, 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. Accordingly, any premiums or discounts on subsequent purchases of equity instruments from (or sales of equity instruments to) minority interests is recognised directly in equity.

(e) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised gains arising from intercompany transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(f) Foreign currency transactions

Transactions in foreign currencies are translated to hryvnias at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to hryvnias at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to hryvnias at the foreign exchange rate

ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of operations.

The principal UAH exchange rates used in the preparation of these interim pro forma consolidated financial statements as at 30 June and 31 December are as follows:

Currency	**30 June 2006**	31 December 2005
US Dollar	**5.050**	5.050
Euro	**6.327**	5.972

As at the date of these interim pro forma consolidated financial statements, 11 May 2007, the exchange rate is UAH 5.05 to USD 1.00 and UAH 6.831 to Euro 1.00.

(g) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost (as restated in accordance with IAS 29) less accumulated depreciation and impairment losses, except for buildings.

The cost of self-constructed assets includes the cost of materials, direct labour and appropriate proportion of production overheads, and capitalised interest for qualifying assets.

Buildings are carried at fair value less accumulated depreciation and impairment losses. Annually management obtains an independent appraisal performed by the consulting company “International Legal Company Solomon-Group”, LLC to estimate fair value. For interim reporting periods management collects relevant market related data to revise estimates made by the independent appraiser. The method used to estimate fair value is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. Estimating the fair value of buildings requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors.

Revaluations of property and equipment will be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Land

Certain companies of the Group have the right to permanent use of the land on which they are located or are leasing land under long-term lease agreements from local state authorities.

Land is the property of the state and, therefore, is not included in the interim pro forma consolidated financial statements.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, is capitalised with the carrying amount of the component replaced being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of operations as an expense as incurred.

(iv) Construction in progress

Construction in progress is stated at cost less impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and appropriate proportion of production overheads, and capitalised interest for qualifying assets.

(v) Revaluation

A revaluation increase on a building is recognised directly in equity, except to the extent that it reverses a previous revaluation decrease recognised in the statement of operations, in which case it is recognised in the statement of operations. A revaluation decrease on a building is recognised in the statement of operations except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(vi) Depreciation

Depreciation is charged to the statement of operations on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

Buildings	50 years
Heavy construction equipment	20 years
Production and construction equipment	8 years
Research equipment	8 years

Vehicles	6 years
IT and computer equipment	4 years
Furniture and office equipment	4 years

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in the statement of operations. Rental income from investment property is accounted for as described in note 3(v).

Property that is being constructed for future use as investment property is accounted for as property and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is carried at fair value. Annually management obtains an independent appraisal performed by the consulting company “International Legal Company Solomon-Group”, LLC to estimate fair value. For interim reporting periods management collects relevant market related data to revise estimates made by the independent appraiser.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(i) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading, financial instruments designated at fair value through profit or loss at initial recognition, and derivative financial assets or liabilities.

A financial instrument is classified as held-for-trading if it is acquired principally for the purpose of selling it in the near term, or it is part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking, or it is a derivative.

Management designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise, or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that management intends to sell immediately or in the near term, those that management upon initial recognition designates as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the intent and ability to hold to maturity, other than those that:

- management upon initial recognition designates as at fair value through profit or loss
- management designates as available-for-sale, or
- meet the definition of loans and receivables.

Available-for-sale assets are non-derivative financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial instruments with another entity under conditions that are potentially unfavorable.

(ii) Recognition

The Group recognises regular way purchases/sales of financial instruments on the settlement date. All other financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets are measured at their fair values, without any deduction for transaction costs that may be on sale or other disposal, except for:

- loans and receivables that are measured at amortised cost using the effective interest rate method

- held-to-maturity investments that are measured at amortised cost using the effective interest rate method

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates using a discount rate representing a market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets at fair value through profit or loss are included in the determination of net profit.

(vi) Derecognition

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the statement of operations.

- a gain or loss on an available-for-sale financial asset is recognised directly in equity, to the extent they relate to minority shareholders of joint stock companies, (except for impairment losses and foreign exchanges gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of operations. Interest in relation to an available-for-sale financial asset is recognised as earned in the statement of operations and is calculated using the effective interest rate method. When a decline in fair value of available-for-sale assets has been recognised in equity and there is objective evidence that the assets are impaired, the loss recognised in equity is removed and recognised in the statement of operations, even though the assets have not been derecognised.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the statement of operations when the financial asset or liability is derecognised or impaired, and through the amortization process.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of raw materials is based on the weighted average method principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Work in progress and finished goods are stated at cost. Cost includes the cost of raw materials, labour and manufacturing overheads allocated proportionately to the stage of completion of the inventory.

(k) Accounts and notes receivable

Accounts and notes receivable are stated at amortised cost less impairment losses. Balances due in less than one year are not discounted.

(l) Prepayments made

Prepayments made are stated at cost less impairment losses.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with an original maturity date of three months or less.

(n) Earnings per share

Earnings per share are calculated by dividing total net profit by the weighted average number of shares outstanding during the period adjusted for any bonus issues of shares subsequent to the balance sheet date. There are no potentially dilutive shares.

(o) Impairment

The carrying amounts of assets, other than inventories, investment property and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of operations.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a loan or receivable or debt instrument classified as available-for-sale is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The reversals are recognised in the statement of operations.

In respect of other assets, an impairment loss is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Loans and borrowings

Loans and borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any

difference between cost and redemption value being recognised in the statement of operations over the period of the borrowings.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the statement of operations.

(q) Accounts and notes payable

Accounts and notes payable are stated at amortised cost. Balances due in less than one year are not discounted.

(r) Employee benefits

The Group makes contributions for the benefit of employees to Ukrainian's State pension fund, social security fund, security against injury fund, and unemployment fund. These amounts are expensed as incurred.

(s) Provisions

A provision is recognised in the balance sheet when the Group has a 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.

(t) Income tax

Income tax on profit for the year comprises current and deferred tax. Income tax is recognised in the statement of operations except to the extent that it relates to items recognised directly to equity, to the extent they relate to minority shareholders of joint stock companies, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, initial recognition of assets or liabilities that affect neither accounting nor taxable profit and investments in subsidiaries. The amount of deferred tax provided is based on the expected manner of realization or

settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Accruals for tax risks

Accruals for taxes and related interest and penalties are recognised when they become payable according to the laws enacted or substantively enacted at the balance sheet date. The accruals are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities, being three years from the date of filing. The accruals are released upon expiry of the review period or earlier, if a tax inspection had concluded without any issues being raised.

(v) Revenues

(i) Goods sold

Revenues from the sale of goods are recognised in the statement of operations when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contact. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The percentage of completion is assessed by reference to surveys of work performed. When the percentage of completion cannot be estimated reliably, but it is probable that no loss will

be incurred on the total contract, contract revenue is recognised only to the extent of contract costs incurred. An expected loss on a contract is recognised immediately in profit or loss.

Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Retentions and progress billings are included in accounts and notes receivable. Advances are amounts received by the contractor before the related work is performed and are included in advances received from customers.

(iv) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned.

(v) Rental income

Rental income from investment property is recognised in the statement of operations on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(w) Operating lease payments

Payments made under operating leases are recognised in the statement of operations on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of operations as an integral part of the total lease payments made.

(x) Financial income and expenses

Financial income and expenses comprise interest expense on borrowings, dividend income, foreign exchange gains and losses, gains and losses on the revaluation and disposal of financial instruments.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses and are calculated using the effective interest rate method.

Interest income is recognised as it accrues, taking into account the effective yield on the asset. For investments in associates, dividend income is credited to the investment in the associate. For investments in other companies, dividend income is recognised on the date that the Group becomes entitled to the dividend.

(y) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(z) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing these interim pro forma consolidated financial statements. Of these pronouncements, the following will potentially have an impact on the consolidated financial statements:

- International Financial Reporting Standard IFRS 7 *Financial Instruments: Disclosures* is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of financial instruments.
- Amendment to International Financial Reporting Standard IAS 1 *Presentation of Financial Statements – Capital Disclosures* is effective for annual periods beginning on or after 1 January 2007. This amendment will require increased disclosure regarding capital and how it is measured.
- IFRS 8 *Operating Segments,* which is effective for annual periods beginning on or after 1 January 2009. The Standard introduces the “management approach” to segment reporting.
- IFRIC 12 *Service Concession Arrangements*, which is effective for annual periods beginning on or after 1 January 2008. The Interpretation addresses how service concession operators should account for the obligations they undertake and rights they receive in service concession arrangements.

Management has not yet analyzed the likely impact of these new standards on its consolidated financial statements.

4 Property and equipment

A summary of activity in property and equipment for the six months ended 30 June 2006 is as follows (unaudited):

(in thousands of US dollars)	Buildings	Heavy construction equipment	Production and construction equipment	Research equip-ment	Vehicles	IT and computer equipment	Furniture and office equipment	Construction in progress	Total
Cost or revalued amount									
1 January 2006	**39,717**	**4,225**	**1,070**	**184**	**725**	**440**	**231**	**3,712**	**50,304**
Additions	**230**	**56**	**1,364**	**-**	**165**	**42**	**25**	**1,334**	**3,216**
Transfers	**241**	**609**	**-**	**-**	**-**	**-**	**-**	**(850)**	**-**
Disposals	**-**	**(5)**	**(1)**	**-**	**(22)**	**(2)**	**-**	**-**	**(30)**
Revaluation	**6,639**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,639**
30 June 2006	**46,827**	**4,885**	**2,433**	**184**	**868**	**480**	**256**	**4,196**	**60,129**
Accumulated Depreciation									
1 January 2006	**-**	**(402)**	**(214)**	**(46)**	**(162)**	**(209)**	**(78)**	**-**	**(1,111)**
Depreciation charge	**(279)**	**(167)**	**(94)**	**(11)**	**(94)**	**(50)**	**(35)**	**-**	**(730)**
Disposals	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**-**	**18**
Revaluation	**279**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**279**
30 June 2006	**-**	**(569)**	**(308)**	**(57)**	**(238)**	**(259)**	**(113)**	**-**	**(1,544)**
Net book value									
30 June 2006	**46,827**	**4,316**	**2,125**	**127**	**630**	**221**	**143**	**4,196**	**58,585**

If the buildings had been carried at historical cost less accumulated depreciation and impairment losses, the carrying amount of the assets that would have been included in these financial statements is USD 23,827 thousand as at 30 June 2006 (unaudited).

The total depreciation charge for the six months ended 30 June 2006 is USD 730 thousand, of which USD 196 thousand is recorded in inventories, USD 523 thousand is recorded in general and administrative expenses, and USD 11 thousand is recorded in other expenses (unaudited).

As at 30 June 2006 property and equipment with a carrying amount of USD 18,749 thousand is pledged to secure bank loans (note 22(a)) (unaudited).

A summary of activity in property and equipment for the six months ended 30 June 2005 is as follows (unaudited):

(in thousands of US dollars)	**Buildings**	**Heavy construction equipment**	**Production and construction equipment**	**Research equip-ment**	**Vehicles**	**IT and computer equipment**	**Furniture and office equipment**	**Construction in progress**	**Total**
Cost or revalued amount									
1 January 2005	18,951	3,194	570	174	442	257	147	2,805	26,540
Additions	38	215	162	-	146	63	48	695	1,367
Transfers	-	273	27	1	-	12	4	(317)	-
Disposals	-	(392)	(3)	-	(135)	(1)	(26)	-	(557)
Revaluation	5,265	-	-	-	-	-	-	-	5,265
Impairment losses	(33)	-	-	-	-	-	-	-	(33)
Currency translation adjustment	1,088	161	33	9	22	15	8	149	1,485
30 June 2005	25,309	3,451	789	184	475	346	181	3,332	34,067
Accumulated Depreciation									
1 January 2005	-	(279)	(102)	(22)	(114)	(149)	(58)	-	(724)
Depreciation charge	(185)	(94)	(49)	(11)	(49)	(28)	(21)	-	(437)
Disposals	-	76	-	-	50	1	25	-	152
Revaluation	185	-	-	-	-	-	-	-	185
Currency translation adjustment	-	(16)	(6)	(1)	(5)	(8)	(3)	-	(39)
30 June 2005	-	(313)	(157)	(34)	(118)	(184)	(57)	-	(863)
Net book value									
30 June 2005	25,309	3,138	632	150	357	162	124	3,332	33,204

If the buildings had been carried at historical cost less accumulated depreciation and impairment losses, the carrying amount of the assets that would have been included in these financial statements would have been USD 12,406 thousand as at 30 June 2005 (unaudited).

The total depreciation charge for the six months ended 30 June 2005 was USD 437 thousand, of which USD 124 thousand was recorded in inventories, USD 302 thousand was recorded in

general and administrative expenses, and USD 11 thousand was recorded in other expenses (unaudited).

As at 31 December 2005 property and equipment with a carrying amount of USD 28,146 thousand was pledged to secure bank loans (note 22(a)) (unaudited).

5 Investment property

A summary of activity in investment property for the six months ended 30 June is as follows:

(in thousands of US dollars)	**2006**	2005
Balance as at 1 January	**15,476**	1,558
Gain on revaluation of investment property (unaudited)	**5,424**	255
Currency translation difference (unaudited)	**-**	84
Balance as at 30 June (unaudited)	**20,900**	1,897

Investment property comprises a number of commercial properties held with the aim of capital appreciation and earning rentals or both.

As at 30 June 2006 investment property with a carrying value of USD 2,895 thousand (31 December 2005: USD 2,162 thousand) is pledged to secure loans and borrowings (note 22(a)) (unaudited).

6 Inventories

Inventories are as follows:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
Merchandise inventory held for resale	**783**	35
Finished goods:		
Constructed residential property	**62**	461
Other	**228**	136
Construction work-in-progress	**56,190**	34,078
Raw materials and consumables	**17,831**	15,861
Total inventories	**75,094**	50,571

Construction work-in-progress includes residential and business property under development that management estimates will be realised in the ordinary operating cycle, which may be more than twelve months after the balance sheet date.

7 Accounts and notes receivable

Accounts and notes receivable are as follows:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
Trade accounts receivable	**10,729**	8,730
Due from customers for construction work in progress	**11,309**	9,230
Notes receivable	**6,907**	7,014
Accrued income	**13,903**	21,295
Interest-free loans to employees and shareholders	**1,138**	1,165
Interest-free loans to third parties	**155**	236
Other receivables	**538**	3,603
Less provision for impairment	**(6,463)**	(5,862)
Total accounts and notes receivable	**38,216**	45,411

As at 30 June 2006 aggregate costs incurred under open construction contracts, net of recognised losses, amount to USD 26,947 thousand (31 December 2005: USD 22,254 thousand) and progress billings to customers under open construction contracts amount to USD 26,331 thousand (31 December 2005: USD 23,916 thousand) (unaudited).

Changes in provisions for impairment of accounts and notes receivable during the six months ended 30 June 2006 are as follows:

(in thousands of US dollars)	**2006**	2005
Balance as at 1 January	**5,862**	5,616
Recovery of (provision for) doubtful debts (unaudited)	**765**	(620)
Amounts written off (unaudited)	**(164)**	(197)
Currency translation difference (unaudited)	-	255
Balance as at 30 June (unaudited)	**6,463**	5,054

8 Taxes receivable

Taxes receivable are as follows:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
VAT	**4,418**	3,135
Salary related taxes	**1,017**	220
Other	**2**	4
Total taxes receivable	**5,437**	3,359

9 Share capital

Share capital of TMM Real Estate Development plc amounts to USD 2,700 as of the date of its registration, 30 November 2006 and comprise 270,000 ordinary shares with a par value of USD 0.01 each. TMM Real Estate Development plc is 99.99% owned by TMM Holdings Ltd.

Subsequent to 30 June 2006, TMM Real Estate Development Ltd issued 44,730,000 ordinary shares on 7 March 2007 in a bonus issue (note 24). As there are no proceeds from this bonus issue, the number of ordinary shares for the purposes of presenting earnings per share information is adjusted as if the event occurred at the beginning of the earliest period presented

10 Loans and borrowings

This note provides information about the contractual terms of loans and borrowings. Refer to note 21 for more information about exposure to interest rate and foreign currency risk.

Loans and borrowings are as follows:

Bank *(in thousands of US dollars)*	**Currency**	**Nominal interest rate**	**Effective interest rate**	**Maturity**	**30 June 2006** **(unaudited)**	31 December 2005
Short-term loans and borrowings						
HVB Ukraine	EUR	Fixed 8.0%	8.0%	January 2007	**9,596**	-
Creditprombank	UAH	Fixed 36.0%	36.0%	December 2006	**2,614**	2,924
Creditprombank	EUR	Fixed 16.0%	16.0%	June 2006	**-**	1,117
TMM-Bank	USD	Fixed 15.0%	15.0%	March 2007	**450**	-
TMM-Bank	UAH	Fixed 17.0%	15.0%	July 2006	**1,819**	1,824
Non-bank borrowings from local institutions	UAH	-	17.5%	Various 2006	**-**	4,079
Total short-term loans and borrowings					**14,479**	9,944
Current portion of long-term loans and borrowings						
Suppliers credits	USD	Fixed 10.0%	10.0%	Various 2006	**165**	78
Total current portion of long-term loans and borrowings					**165**	78
Long-term loans and borrowings						
HVB Ukraine	EUR	LIBOR + 8.0%	13.0%	January 2007	**-**	4,015
HVB Ukraine	USD	LIBOR + 8.0%	11.0%	January 2007	**-**	148
TMM-Bank	UAH	Fixed 17.0%	17.0%	April 2008	**384**	384
Finance and credit	UAH	Fixed 10.0%	10.0%	August 2007	**125**	178
Bonds issued	UAH	Fixed 16.0%	18.1%	November 2007	**2,994**	2,985
Bonds issued	UAH	Fixed 16.0%	18.4%	December 2007	**2,947**	2,934
Bonds issued	UAH	Fixed 16.0%	18.0%	January 2008	**3,039**	3,047
Suppliers credits	USD	Fixed 10.0%	10.0%	Various 2007	**694**	749
Total long-term loans and borrowings					**10,183**	14,440
Total loans and borrowings					**24,827**	24,462

Bonds issued include UAH denominated general obligation bonds issued by TMM. The par value of each bond is UAH 1,000. The bonds pay fixed interest of 16.0% as at 30 June 2006 and 31 December 2005, which is payable in quarterly installments. The interest rate can be

modified at the discretion of TMM but cannot be below 5.0%. The bonds are subject to early redemption at the request of the bond holders at par value on November 15, 2006, December 13, 2006 and January 10, 2007. Subsequent to 30 June 2006, the Group lowered the interest rate on bonds payable to 15.0%.

The Group has no subordinated debt.

At the date of this report, 11 May 2007, the LIBOR rate for USD denominated loans is 5.36% and for EUR denominated loans the LIBOR rate is 4.06%.

For a description of assets pledged by the Group in connection with loans and borrowings refer to note 22(a).

11 Accounts and notes payable

Accounts and notes payable are as follows:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
Trade accounts payable	**4,470**	5,915
Billings in excess of costs incurred	**10,693**	10,892
Due to shareholders	**1,943**	2,095
Interest payable	**1,854**	1,718
Notes payable	**604**	641
Deferred income	**273**	610
Salaries payable	**379**	271
Other	**1,690**	1,379
Total accounts and notes payable	**21,906**	23,521

12 Taxes payable

Taxes payable are as follows:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
Salary related taxes	**1,216**	337
VAT	**90**	98
Income tax	**7**	28
Other	**23**	42
Total taxes payable	**1,336**	505

13 Advances received from customers

As at 30 June 2006 and 31 December 2005, advances received from customers include USD 102,897 thousand (unaudited) and USD 66,826 thousand, respectively, of advances received for residential and business property that management estimates will be realised in the ordinary operating cycle, which may be more than twelve months after the balance sheet date.

14 Revenues

Revenues for the six months ended 30 June are as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Revenues on construction contracts	**6,428**	12,965
Sales of apartments	**3,992**	382
Other	**581**	261
Total	**11,001**	13,608

All revenue is generated from sales to customers in Ukraine.

15 Cost of revenues

Cost of revenues for the six months ended 30 June is as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Costs under construction contracts	**6,346**	12,936
Cost of apartments sold	**3,422**	77
Other	**511**	241
Total	**10,279**	13,254

Total salaries and related charges paid to employees and included in production costs for the six months ended 30 June 2006 amount to USD 787 thousand (30 June 2005: USD 762 thousand).

16 General administrative expenses

General administrative expenses for the six months ended 30 June are as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Salary and related charges	**1,628**	906
Transaction costs	**839**	449
Depreciation	**523**	302
Security	**397**	183
Obligatory charges on purchase of foreign currency	**97**	49
Bank and similar charges	**96**	94
Communication	**94**	99
Taxes other than on income	**88**	48
Insurance	**77**	38
Professional services	**64**	192
Materials	**41**	34
Maintenance	**24**	18
Other	**307**	167
Total	**4,275**	2,579

17 Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 June are as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Advertising	**173**	66
Transportation	**169**	147
Professional services	**31**	143
Other	**9**	1
Total	**382**	357

18 Other expenses

Other expenses for the six months ended 30 June are as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Loss on sale of other goods	**210**	1,189
Loss on disposal of property and equipment	**-**	192
Charity	**22**	32
Penalties	**22**	2
Research and development	**45**	19
Other expenses	**204**	103
Total	**503**	1,537

19 Financial costs, net

Financial costs, net for the six months ended 30 June is as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Interest income	**152**	71
Foreign exchange (loss) gain	**(67)**	66
Interest expense	**(156)**	(174)
Net result from dealing with securities	**566**	(965)
Total	**495**	(1,002)

During the six months ended 30 June 2006, the Group capitalised USD 1,834 thousand (six months ended 30 June 2005: USD 2,015 thousand) of borrowing costs (unaudited).

20 Income tax expense

Income tax expense for the six months ended 30 June is as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Current	**18**	18
Deferred	**619**	(848)
Total income tax expense (benefit)	**637**	(830)

The corporate income tax rate is 25% in 2006 and 2005.

(a) Reconciliation of effective tax rate

The difference between the total expected income tax expense computed by applying the statutory income tax rate to profit (loss) before tax and the reported tax expense (benefit) is as follows:

(in thousands of US dollars)

	Six months ended 30 June 2006 (unaudited)	**%**	Six months ended 30 June 2005 (unaudited)	%
Profit (loss) before tax	**898**	**100%**	(4,123)	100%
Income tax expense (benefit) at statutory rate	**224**	**25%**	(1,031)	25%
Non-deductible (non-taxable) items, net	**413**	**46%**	201	(5%)
Effective income tax expense (benefit)	**637**	**71%**	(830)	20%

(b) Movements in temporary differences

Movements in temporary differences during the six months ended 30 June are as follows:

(in thousands of US dollars)	**1 January 2006**	**Recognised in equity (unaudited)**	**Recognised in the statement of operations (unaudited)**	**30 June 2006 (unaudited)**
Property and equipment and investment property	**(12,035)**	**(1,730)**	**169**	**(13,595)**
Investments	**5,647**	**-**	**1,425**	**7,071**
Inventories	**7,776**	**-**	**2,049**	**9,825**
Accounts and notes receivable	**(6,696)**	**-**	**34**	**(6,662)**
Advances to suppliers	**(1,487)**	**-**	**(2,873)**	**(4,360)**
Accounts and notes payable	**3,591**	**-**	**(430)**	**3,161**
Loans and borrowings	**771**	**-**	**(531)**	**240**
Advances received from customers	**(3,249)**	**-**	**(462)**	**(3,711)**
Net deferred tax liability	**(5,862)**	**(1,730)**	**(619)**	**(8,031)**

(in thousands of US dollars)	1 January 2005	Recognised in equity (unaudited)	Recognised in the statement of operations (unaudited)	Currency translation difference (unaudited)	30 June 2005 (unaudited)
Property and equipment and investment property	(4,567)	(1,362)	1,211	(231)	(4,949)
Investments	4,383	-	(2,508)	146	2,021
Inventories	2,602	-	4,023	243	6,868
Accounts and notes receivable	4,463	-	(4,758)	86	(209)
Advances to suppliers	(2,286)	-	1,674	(66)	(678)
Accounts and notes payable	(272)	-	2,724	63	2,515
Loans and borrowings	961	-	(396)	36	601
Advances received from customers	(1,456)	-	(1,122)	(104)	(2,682)
Net deferred tax asset (liability)	3,828	(1,362)	848	173	3,487

21 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of business.

(a) Credit risk

As at 30 June 2006 and 31 December 2005, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). Management does not have a formal policy of determining how much exposure should be to fixed or variable rates. However, at the time of obtaining new financing, management uses its judgment to decide whether a fixed or variable rate would be more favourable over the expected period until maturity.

(c) Foreign currency risk

The Group incurs foreign currency risk on sales, purchases, loans and borrowings and cash and cash equivalents that are denominated in a currency other than measurement currency of the entities. The currencies giving rise to this risk are primarily USD and EUR. Management does not hedge its exposure to foreign currency risk.

(d) Fair values

Estimated fair values of the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these interim pro forma consolidated financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realization of the unrealised gains and losses can have an effect on fair value estimates and have not been considered.

For all financial assets and liabilities, the carrying value is estimated to approximate the fair value as at 30 June 2006 and 31 December 2005.

22 Commitments and contingencies

(a) Pledged assets

In connection with loans and borrowings, the Group pledged the following assets:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
Property and equipment (note 4)	**18,749**	28,146
Investment property (note 5)	**2,162**	2,162
Restricted cash	**-**	184
Total pledged assets	**20,911**	30,492

(b) Purchase commitments

As at 30 June 2006 the Group entered into contracts to purchase plant and equipment and sub-constructor services for USD 9,827 thousand (31 December 2005: USD 3,061 thousand) (unaudited).

(c) Operating lease commitments

As at 30 June 2006 and 31 December 2005 there were no significant non-cancellable operating leases.

(d) Insurance

The insurance industry in Ukraine is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group has obtained insurance over certain its facilities. However, it does not have full coverage for business interruption, damage of third party property, third party liability for any damages arising from accidents on property, or environmental damage. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(e) Litigation

The Group is involved in various legal proceedings in the ordinary course of business. Management does not believe the result of any such actions will have a material effect on the financial condition or results of operations.

(f) Taxation contingencies

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation that may be applied retroactively, are open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. These facts create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems.

The Group undertakes transactions, including in cash and through intermediaries, with employees and, upon request, with clients and suppliers in order to provide for financial flexibility and to minimize taxes. These transactions may be challenged by the tax authorities. Management of the individual companies within the Group is responsible for the correctness and timeliness of the tax payments by group companies.

All of the Group's companies have been audited covering various periods of operation by local tax authorities. As of the date of this report, no significant claims or assessments against any member of the Group have been made by the tax authorities. No accrual for any potential tax liabilities is made in these interim pro forma consolidated financial statements. However, should the tax authorities determine that the transactions are subject to taxation, and apply this assessment to one or more of the companies of the Group, the resulting taxes and penalties could have a material adverse effect on the financial position and results of operations.

23 Related party transactions

The Group performs transactions with related parties in the ordinary course of business. Related parties comprise the associate, the controlling shareholder group, companies under common control of the Group's controlling owners, key management personnel and their close family members, and companies that are controlled or significantly influenced by shareholders. Prices for related party transactions are determined on an ongoing basis. The terms of some related party transactions may differ from market terms.

(a) Control relationships

The Group has a controlling relationship with all of its subsidiaries and associates (see note 2(b) for a list of subsidiaries and associates).

The Group is ultimately controlled by Mr. Tolmachov M.G., who controls 81% of the share capital of the parent company.

(b) Transactions with management and close family members

(i) Management remuneration

Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management and their close family members received the following remuneration which is included in general administrative expenses:

(in thousands of US dollars)	**Six months ended 30 June 2006 (unaudited)**	Six months ended 30 June 2005 (unaudited)
Short-term employee benefits:		
Salaries and bonuses	**341**	289

(ii) Other transactions with key management personnel

As at 30 June 2006 loans to key management amounting to USD 1,138 thousand (31 December 2005: USD 258 thousand) are included in accounts and notes receivable (unaudited). These short-term loans are interest free and have no maturity date.

From time to time, management is entitled to receive non-cash compensation, namely, the right of ownership of apartments constructed by the Group and cars. No such compensation was granted during the six months ended 30 June 2006 and 2005.

(c) Transactions and balances with other related parties

(i) Revenues

Sales of goods and services to related parties for the six months ended 30 June are as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Unconsolidated subsidiaries	**26**	95
Associates	**566**	-
	592	95

(ii) Financial costs, net

Financial costs, net for the six months ended 30 June are as follows:

(in thousands of US dollars)	**2006 (unaudited)**	2005 (unaudited)
Unconsolidated subsidiaries	**189**	169

(iii) Balances with related parties

Balances with related parties are as follows:

(in thousands of US dollars)	**30 June 2006 (unaudited)**	31 December 2005
Accounts and notes receivable:		
Unconsolidated subsidiaries	**86**	341
Associates	**543**	-
Entities under common control with the Company or significantly influenced by related parties of the Group	**11,350**	9,351
Cash and cash equivalents:		
Unconsolidated subsidiaries	**2,017**	6,573
Accounts and notes payable:		
Unconsolidated subsidiaries	**72**	180
Associates	**25**	-
Entities under common control with the Company or significantly influenced by related parties of the Group	**256**	260
Loans and borrowings:		
Unconsolidated subsidiaries	**2,653**	2,208
Advances received from customers:		
Unconsolidated subsidiaries	**192**	192

All of these balances, except for loans and borrowings, are non-interest bearing and due in the short term.

Certain transactions with third parties are conducted through intermediaries who are related parties to the Group. These transactions are not disclosed as related party transactions since they are ultimately settled with third parties.

24 Events subsequent to the balance sheet date

Subsequent to 30 June 2006, Group shareholders established a Ukrainian holding company named LLC "TMM-Holding". As a result of a series of transactions, the holding company acquired from TMM a 58.26% ownership in CJSC "Insurance company "Oriana", an 82.00% ownership in LLC "Kharkiv plant of construction mixtures", and a 48.79% ownership in OJSC "TMM-Bank". Subsequent to 30 June 2006, Group also disposed of its entire interest of 70.00% in CJSC "Sevastopol meat processing plant" to a former related party. All of these unconsolidated subsidiaries were sold at their carrying values.

Subsequent to 30 June 2006, TMM Real Estate Development Ltd issued 44,730,000 ordinary shares on 7 March 2007 in a bonus issue (note 9). No proceeds were received as a result of this share issue.

Tolmachev M.G. General Director	Chivurina L.F. Finance Director

11 May 2007

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Independent Accountants' Review Report

To the Board of Directors

TMM Real Estate Development plc

We have reviewed the accompanying interim pro forma consolidated balance sheet of TMM Real Estate Development plc (the Company) and its subsidiaries (the Group) as at 30 June 2006, and the related interim pro forma statements of operations, cash flows and changes in equity for the six months then ended. These interim pro forma consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim pro forma consolidated financial statements based on our review.

Except as described in the following paragraph, we conducted our review in accordance with the International Standard on Review Engagements 2400. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Group has insufficient supporting documents for certain cash receipts totaling USD 552 thousand and USD 83 thousand, and certain cash disbursements totaling USD 6,761 thousand and USD 5,496 thousand for the six months ended 30 June 2006 and 2005, respectively. Our review procedures did not provide sufficient assurance that revenues stated at USD 552 thousand and USD 83 thousand, general and administrative expenses stated at USD 927 thousand and USD 727 thousand and cost of revenues stated at USD 3,698 thousand and USD 3,509 thousand, for the six months ended 30 June 2006 and 2005, respectively, and inventories stated at USD 8,518 thousand and USD 6,738 thousand, property and equipment stated at USD 1,867 thousand and USD 1,816 thousand, accounts payable due to shareholders stated at USD 1,943 thousand and USD 2,095 thousand and advances received from customers stated at USD 123 thousand and USD 676 thousand as at 30 June 2006 and 31 December 2005, respectively, and any related effect on taxation are not materially misstated.

The Group has not disclosed segment information for the six months ended 30 June 2006 and 2005 and as at 30 June 2006 and 31 December 2005, which is required by International Financial Reporting Standard IAS 14 *Segment Reporting*.

Based on our review, except for the effects of such adjustments, if any, that might have been determined to be necessary had our review procedures provided sufficient assurance as described in the third paragraph and except for the omission of segment information described in the fourth paragraph, nothing has come to our attention that causes us to believe that the interim pro forma consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2006, and the results of its operations and its cash flows for the six months then ended in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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Without further qualifying our review conclusion, we draw attention to the fact that the interim consolidated pro forma financial statements, which have been prepared for the purpose of presenting the consolidated financial position, financial performance and cash flows of the Group as if a restructuring that is completed in 2007 had taken place before 1 January 2004, are not necessarily indicative of the consolidated financial position, consolidated financial performance and consolidated cash flows that would have been achieved as at 30 June 2006 and 31 December 2005 and for the six months ended 30 June 2006 and 30 June 2005 had the restructuring described above taken place before 1 January 2004. The restructuring and the basis of preparation are described in the note 2.

CJSC KPMG Audit

CJSC KPMG Audit
11 May 2007