

TMM Real Estate Development plc

**Reissued Consolidated
Financial Statements
31 December 2007**

*These reissued consolidated financial statements
contain 70 pages*

Contents

| | |
|---|---|
| Consolidated Balance Sheet | 2 |
| Consolidated Income Statement | 4 |
| Consolidated Cash Flow Statement | 5 |
| Consolidated Statement of Changes in Equity | 7 |
| Notes to the Reissued Consolidated Financial Statements | 8 |
| Independent auditors' report | |

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Consolidated Balance Sheet as at 31 December 2007

| | | 2007 | 2006 |
|---|-------------|----------------------|---------------|
| | | (reissued) | (restated) |
| <i>(in thousands of US dollars)</i> | <i>Note</i> | | |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 158,199 | 118,716 |
| Intangible assets | | 900 | 851 |
| Investment property | 6 | 55,991 | 40,390 |
| Property development rights and costs | 7 | 23,786 | 4,778 |
| Investments in unconsolidated subsidiaries and associates not accounted for under equity method | | - | 6,097 |
| Investments in associates | | 360 | - |
| Long-term deposit | 11 | 218 | 119 |
| | | <hr/> 239,454 | <hr/> 170,951 |
| Current assets | | | |
| Inventories | 8 | 144,989 | 72,666 |
| Trade and other receivables | 9 | 22,788 | 30,499 |
| Taxes recoverable, other than income tax | 10 | 10,230 | 4,328 |
| Prepayments | | 14,721 | 9,318 |
| Short-term deposits | 11 | 25,205 | - |
| Cash and cash equivalents | | 17,148 | 1,387 |
| | | <hr/> 235,081 | <hr/> 118,198 |
| Total assets | | <hr/> 474,535 | <hr/> 289,149 |

The Consolidated Balance Sheet is to be read in conjunction with the notes to and forming part of the Consolidated Financial Statements set out on pages 8 to 70.

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Consolidated Balance Sheet as at 31 December 2007
(continued)

| <i>(in thousands of US dollars)</i> | <i>Note</i> | 2007 (reissued) | 2006 (restated) |
|--|-------------|----------------------------------|--------------------|
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 12 | 518 | 3 |
| Share premium | | 100,673 | - |
| Additional paid-in capital | | 2,592 | 2,592 |
| Revaluation reserve | | 52,013 | 41,366 |
| Retained earnings | | 72,644 | 59,108 |
| Translation reserve | | 2,585 | 2,585 |
| Total equity attributable to equity holders of the parent | | 231,025 | 105,654 |
| Minority interests | | 1,441 | 2,679 |
| Total equity | | 232,466 | 108,333 |
| Non-current liabilities | | | |
| Long term interest bearing loans and borrowings | 13 | 2,542 | 25,974 |
| Finance lease liability | 14 | 1,255 | - |
| Deferred tax liability | 26 | 37,807 | 19,764 |
| | | 41,604 | 45,738 |
| Current liabilities | | | |
| Short-term interest bearing loans and borrowings | 13 | 28,471 | 2,770 |
| Current portion of long-term interest bearing loans and borrowings | 13 | 41,097 | 6,224 |
| Current portion of finance lease liability | 14 | 283 | - |
| Trade and other payables | 15 | 16,137 | 46,829 |
| Income tax payable | | 66 | 109 |
| Taxes payable, other than income tax | 16 | 673 | 340 |
| Advances received | 17 | 113,738 | 78,806 |
| | | 200,465 | 135,078 |
| Total equity and liabilities | | 474,535 | 289,149 |

The Consolidated Balance Sheet is to be read in conjunction with the notes to and forming part of the Reissued Consolidated Financial Statements set out on pages 8 to 70.

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Consolidated Income Statement for the year ended 31 December 2007

| <i>(in thousands of US dollars)</i> | <i>Note</i> | 2007 (reissued) | 2006 (restated) |
|--|-------------|----------------------------------|--------------------|
| Revenues | <i>18</i> | 57,682 | 96,534 |
| Cost of revenues | <i>19</i> | (39,085) | (68,002) |
| Gross profit | | 18,597 | 28,532 |
| Other income | <i>20</i> | 8,971 | 2,662 |
| General administrative expenses | <i>21</i> | (9,286) | (7,916) |
| Selling and distribution expenses | <i>22</i> | (1,500) | (1,150) |
| Change in fair value of investment properties | <i>6</i> | 12,301 | 18,333 |
| Gain on release of bad debts (bad debt expense) | <i>9</i> | 427 | (1,741) |
| Gain on acquisition of subsidiaries | <i>4</i> | 1,099 | - |
| Share in profit (loss) of associates | | 319 | (24) |
| Other expenses | <i>23</i> | (2,419) | (7,308) |
| Finance income | <i>24</i> | 1,652 | 583 |
| Finance costs | <i>25</i> | (3,441) | (1,803) |
| Profit before tax | | 26,720 | 30,168 |
| Income tax expense | <i>26</i> | (13,603) | (7,362) |
| Net profit | | 13,117 | 22,806 |
| <i>Attributable to:</i> | | | |
| Participants of the parent | | 13,144 | 23,051 |
| Minority interests holders | | (27) | (245) |
| Net profit | | 13,117 | 22,806 |
| Weighted average basic and diluted shares (in thousands of shares) | <i>12</i> | 48,962 | 45,000 |
| Basic and diluted earnings per share (in US dollars) | | 0.27 | 0.51 |

The Consolidated Income Statement is to be read in conjunction with the notes to and forming part of the Reissued Consolidated Financial Statements set out on pages 8 to 70.

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Consolidated Cash Flow Statement for the year ended 31 December 2007

| | | 2007 | 2006 |
|--|-------------|-------------------|------------|
| | | (reissued) | (restated) |
| <i>(in thousands of US dollars)</i> | <i>Note</i> | | |
| Operating activities | | | |
| Net profit | | 13,117 | 22,806 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation | | 901 | 1,304 |
| Impairment of property, plant and equipment | 23 | - | 472 |
| (Release of bad debts) bad debt expense | 9 | (427) | 1,741 |
| Write-off of accounts payables | | (1,028) | - |
| (Release) accrual for taxes | 20, 23 | (6,214) | 6,214 |
| Change in fair value of investment properties | 6 | (12,301) | (18,333) |
| Loss (gain) on disposal of property, plant and equipment | 20, 23 | 670 | (4) |
| Gain on acquisition of subsidiaries | 4 | (1,099) | - |
| Foreign exchange loss | 25 | 1,743 | 760 |
| Interest income | 24 | (1,652) | (218) |
| Interest expense | 25 | 1,533 | 1,099 |
| Share in (profit) loss of associates | | (319) | 24 |
| Income tax expense | 26 | 13,603 | 7,362 |
| Decrease in accounts and notes receivables | | 7,429 | 17,131 |
| Increase in taxes receivable | | (5,726) | (969) |
| Increase in prepayments | | (4,659) | (1,674) |
| Increase in inventories | | (61,851) | (12,964) |
| Decrease in accounts and notes payable | | (23,859) | (28,120) |
| Increase in finance lease liabilities | | 1,492 | - |
| Increase (decrease) in taxes payable | | 223 | (138) |
| Increase in advances received from customers | | 26,585 | 44,250 |
| Income taxes paid | | (218) | (142) |
| Interest received | | 1,652 | 218 |
| Interest paid | | (3,019) | (5,364) |
| Cash flows (used in) provided by operating activities | | (53,424) | 35,455 |

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to and forming part of the Reissued Consolidated Financial Statements set out on pages 8 to 70.

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Consolidated Cash Flow Statement for the year ended 31 December 2007
(continued)

| | | 2007 | 2006 |
|---|-------------|-------------------|------------|
| | | (reissued) | (restated) |
| <i>(in thousands of US dollars)</i> | | | |
| Investing activities | <i>Note</i> | | |
| Purchase of property, plant and equipment | | (22,548) | (45,643) |
| Purchase of intangible assets | | (280) | (858) |
| Proceeds from sale of property, plant and equipment | | 81 | 40 |
| Purchase of property development rights | | (19,008) | (4,417) |
| Purchase of minority interests | | (59) | - |
| Acquisition of subsidiaries, net of cash acquired | 4 | (2,236) | - |
| Proceeds from sale of securities and investments in unconsolidated subsidiaries | | 6,056 | 878 |
| Placement of long-term deposit | 11 | (500) | - |
| Repayment of long-term deposit | | 3,960 | - |
| Placement of short-term deposits | 11 | (23,797) | (3,960) |
| Placement of amounts under reverse repurchase agreements | | (5,000) | - |
| Redemption of restricted cash | | - | 184 |
| Cash flows used in investing activities | | (63,331) | (53,776) |
| Financing activities | | | |
| Proceeds from loans and borrowings | | 26,800 | 39,195 |
| Repayments of loans and borrowings | | (24,361) | (29,400) |
| Proceeds from bonds issuance | | 36,127 | - |
| Repayment of bonds | | (5,941) | - |
| Issue of shares | | 100,741 | - |
| Cash flows provided by financing activities | | 133,366 | 9,795 |
| Net increase (decrease) in cash and cash equivalents | | 16,611 | (8,526) |
| Cash and cash equivalents as at 1 January | | 1,387 | 10,059 |
| Effect of exchange rates fluctuations on cash held | | (850) | (146) |
| Cash and cash equivalents as at 31 December | | 17,148 | 1,387 |
| Supplementary cash flow information: | | | |
| Non-cash transactions | | | |
| Property acquired under finance lease agreements | | 4,328 | - |
| Revaluation of property, plant and equipment recognised in equity | | 13,774 | 26,609 |

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to and forming part of the Reissued Consolidated Financial Statements set out on pages 8 to 70.

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Consolidated Statement of Changes in Equity for the year ended 31 December 2007

| | Attributable to equity holders of the parent | | | | | | | Minority interests | Total equity |
|--|--|---------------|----------------------------|---------------------|-------------------|---------------------|---------|--------------------|--------------|
| (in thousands of US dollars) | Share capital | Share premium | 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 |
| Correction of prior period amounts (note 2(f)) | - | - | - | 386 | 793 | - | 1,179 | - | 1,179 |
| Balance as at 1 January 2006 (restated) | 3 | - | 2,592 | 22,008 | 36,057 | 2,585 | 63,245 | 2,325 | 65,570 |
| Revaluation of property | - | - | - | 25,811 | - | - | 25,811 | 798 | 26,609 |
| Deferred taxes on revaluation of property | - | - | - | (6,453) | - | - | (6,453) | (199) | (6,652) |
| Net profit (loss) (restated) | - | - | - | - | 23,051 | - | 23,051 | (245) | 22,806 |
| Total recognised income and expenses (restated) | - | - | - | 19,358 | 23,051 | - | 42,409 | 354 | 42,763 |
| Balance as at 31 December 2006 (restated) | 3 | - | 2,592 | 41,366 | 59,108 | 2,585 | 105,654 | 2,679 | 108,333 |
| Revaluation of property | - | - | - | 13,709 | - | - | 13,709 | 65 | 13,774 |
| Deferred taxes on revaluation of property | - | - | - | (3,427) | - | - | (3,427) | (16) | (3,443) |
| Net profit (loss) (reissued) | - | - | - | - | 13,144 | - | 13,144 | (27) | 13,117 |
| Disposal of revaluation surplus, net of deferred tax | - | - | - | (180) | 180 | - | - | - | - |
| Total recognised income and expenses (reissued) | - | - | - | 10,102 | 13,324 | - | 23,426 | 22 | 23,448 |
| Issue of shares | 515 | 100,673 | - | - | (447) | - | 100,741 | - | 100,741 |
| Acquisition of subsidiary (note 4) | - | - | - | - | - | - | - | 3 | 3 |
| Change in minority interests ownership | - | - | - | 545 | 659 | - | 1,204 | (1,263) | (59) |
| Balance as at 31 December 2007 (reissued) | 518 | 100,673 | 2,592 | 52,013 | 72,644 | 2,585 | 231,025 | 1,441 | 232,466 |

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the Reissued Consolidated Financial Statements set out on pages 8 to 70.

1 Background

(a) Organisation and operations

These reissued 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 to 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 49 A Vladimirska street, Kyiv, Ukraine 01034.

On 17 April 2007, the shareholders of LLC Firm TMM (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 reissued consolidated financial statements are prepared as if these transactions occurred before 1 January 2006.

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, Zhytomir, 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. In particular, there have been substantial increases in property values in a non-transparent and illiquid market.

These reissued 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.

Subsequent to 31 December 2007 a global financial crisis has occurred that resulted in a decline in the gross domestic product, capital markets instability, and significant

deterioration in the liquidity in the banking sector, tighter credit conditions within Ukraine, and significant devaluation of the Ukrainian hryvnia against major currencies. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the exchange rate and the banking sector, there continues to be uncertainty regarding exchange rates, access to capital and its cost for the Group and its counterparties. Starting from the last quarter of 2008, the Ukrainian residential and industrial property markets have suffered a significant fall in demand following the overall macroeconomic turmoil. This resulted in weak liquidity and the poor conditions prevailing in the Ukrainian property market.

2 Basis of consolidation

(a) Statement of compliance

The reissued consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group adopted the revised versions of IFRS that are effective for accounting periods beginning on 1 January 2007. The changes to the accounting policies and their effect on the reissued consolidated financial statements are described in note 3(a).

(b) Basis of preparation

(i) Consolidated subsidiaries and associates

The listing of the subsidiaries and associates included in these reissued consolidated financial statements as at 31 December is as follows:

| Name | Activity | 2007 % of ownership | 2006 % of ownership |
|--|--------------------------------------|--------------------------------|--------------------------------|
| Subsidiaries: | | | |
| LLC Firm TMM (TMM) | Construction and development | 100.0% | 100.0% |
| LLC Geravit | Development project | 100.0% | 100.0% |
| LLC Palladiy | Development project | 100.0% | 100.0% |
| LLC TMM Budkomplekt | Production of construction materials | 90.0% | 90.0% |
| CJSC Tavrida Plaza | Development project | 100.0% | 74.9% |
| LLC Adept-2004 | Development project | 70.0% | 70.0% |
| OJSC Ukrstsukorteploizoliatsia | Development project | 94.7% | 63.7% |
| LLC Kirovograd Plant of Construction Ceramics | Production of construction materials | 99.9% | - |
| CJSC Victor | Development project | 100.0% | - |
| LLC TMM Pallada | Development project | 99.0% | - |
| LLC Specialist | Development project | 98.0% | - |

Associates:

| | | | |
|---------------------|---------------------|-------|-------|
| CJSC TMM Energobud | Development project | 50.0% | 50.0% |
| LLC Ukr-bud-service | Development project | 50.0% | - |
| LLC Ekotechservice | Development project | - | 41.0% |

The Group is primary beneficiary of the following entities:

| Name: | Activity | Location |
|---------------------------|---------------------|-------------------|
| Gambier Development Corp. | Development project | Panama |
| LLC DP TG Ekipazh | Development project | Kharkiv (Ukraine) |
| LLC Stimul+ | Development project | Kharkiv (Ukraine) |
| PE Budinvestservice 2004 | Development project | Kharkiv (Ukraine) |

LLC DP TG Ekipazh, LLC Stimul+ and PE Budinvestservice 2004 are special purpose entities (SPEs) established to obtain rights to perform construction on plots of land owned by these entities. Gambier Development Corp. is a special purpose entity established to facilitate the sale of one of the construction projects of the Group. The Group does not have any direct ownership in these entities. All companies are separate legal entities and individual taxpayers.

During the year ended 31 December 2007, the Group acquired subsidiary LLC Kirovograd Plant of Construction Ceramics from third parties (note 4) and established a wholly owned subsidiary LLC TMM Pallada.

During the year ended 31 December 2007, the Group also acquired CJSC Victor, LLC Specialist, and LLC Ukr-bud-service, which was accounted for as purchase of assets since these companies do not represent separate businesses.

During the year ended 31 December 2007, the Group disposed off its 41.0% owned associate LLC Ekotechservice. The amount of contribution to the consolidated income statement by LLC Ekotechservice is not material to these reissued consolidated financial statements.

During the year ended 31 December 2007, the Group acquired 40,000,000 shares of additional issue of shares of OJSC Ukrstsukorteploizoliatsia with a par value of USD 0,05 that caused changes in minority interests related to the subsidiary.

All subsidiaries, associates and SPEs are incorporated in Ukraine, except for Gambier Development Corp.

During 2006 the Group carried out a restructuring of its activities. As a result, interests in activities other than its primary construction and development business were disposed of, and the ownership of the remaining activities was transferred to a newly established holding company, TMM Real Estate Development plc, as described in note 1(a).

Corresponding figures as at and for the year ended 31 December 2006 present the reissued 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 of the business to TMM Real Estate Development plc, had taken place before 1 January 2006.

As a result, investments in subsidiaries and associates that legally formed part of TMM but were disposed of in the restructuring were not consolidated or accounted for under the equity method.

Investments into unconsolidated subsidiaries and associate not accounted for under equity method are as follows:

| Name | Activity | 2007 | 2006 |
|-------------------------------|-----------|----------------|----------------|
| | | % of ownership | % of ownership |
| CJSC Insurance Company Oriana | Insurance | - | 58.26% |
| OJSC TMM-Bank | Banking | - | 48.79% |

All subsidiaries and associates disposed of as part of the restructuring are incorporated in Ukraine. The investments were sold at cost in 2007, and, accordingly, there were no gains or losses on sale of these investments.

(c) Basis of measurement

The reissued consolidated financial statements are prepared on the historical cost basis except for the following:

- buildings are stated at re-valued cost as measured by independent appraisal less accumulated depreciation and impairment losses
- investment property is stated at fair value as determined by independent appraisal.

(d) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. Therefore, the functional currency of Ukrainian entities is the Ukrainian hryvnia (UAH), while the functional currency of Gambier Development Corp. is the US dollar (USD). The reissued consolidated financial statements are presented in USD, rounded to the nearest thousand, which is the functional currency of TMM Real Estate Development plc.

For the purposes of presenting reissued consolidated 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 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 these reissued consolidated 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 and liabilities, income and expense. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the reissued consolidated financial statements are described below:

- **Accounts and notes receivable and prepayments.** Management estimates the likelihood of the collection of accounts and notes receivable and prepayments 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 realisable 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 realisable value.
- **Buildings and investment property.** At each balance sheet date, buildings and investment property are revalued to fair value based on the results of an independent appraisal. 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 and investment property requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors.
- **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.

(f) Reissue of the consolidated financial statements

Subsequent to the date that the original consolidated financial statements as at and for the year ended 31 December 2007 were authorised for issue, 18 July 2008, management identified certain errors, described in note 2(f)(i) below, and decided to reissue the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

(i) Correction of errors

Management determined that certain corrections to amounts initially reported are required:

- 1) Construction work-in-progress amounting to USD 15,385 thousand as at 31 December 2007 (31 December 2006: USD 10,866 thousand, 1 January 2006: USD 4,501 thousand), previously included to inventories, were originally intended for own use and not for sale. Consequently, these amounts are represented as a part of property, plant and equipment as at each balance sheet date.
- 2) Certain errors in accounting treatment for two construction projects relating to the timing of revenue recognition and accounting for consideration received were discovered. Previously, for the year ended 31 December 2007, revenue was recognised based on the stage of completion method in accordance with policy on construction contracts disclosed in note 3(t). Management determined that it was not appropriate to recognise revenue on that basis (due to specific terms of the contract) and determined that revenue should have been recorded upon completion of construction. Also, management determined that consideration received in the form of land lease rights should have been properly accounted for. Correction of these items resulted in reduction of revenues, cost of revenues, and accounts receivable by USD 3,164 thousand (year ended 31 December 2006: nil) and increase in inventories by 3,164 thousand. In addition, as at 31 December 2007 the land lease rights, received by the Group as a consideration for the part of these properties under construction amounting to USD 19,411 thousand (31 December 2006: USD 11,035 thousand) were recognised on the consolidated balance sheet as advances received at the inception of the contracts and capitalised to the cost of these properties in inventories.

- 3) certain other errors in accounting for items of investment property, property, plant, and equipment, and inventories were discovered. The correction of these errors has the following impact on the Group's consolidated balance sheet:

| | 31 December 2007 | 31 December 2006 | 1 January 2006 |
|--|------------------------|------------------------|-------------------|
| <i>(in thousands of US dollars)</i> | | | |
| Increase in property, plant, and equipment | 1,585 | 1,063 | 650 |
| Increase in investment property | 2,023 | 953 | 867 |
| Decrease in inventories | (608) | (311) | (47) |
| Increase in retained earnings | (1,311) | (858) | (793) |
| Increase in revaluation surplus | (1,015) | (497) | (386) |
| Increase in deferred tax liability | (674) | (350) | (291) |

(ii) *Reclassifications of the previously reported amounts*

During the year ended 31 December 2007 the Group modified the classification of its assets and liabilities in the consolidated balance sheet and income and expenses in the consolidated income statement and reclassified corresponding figures as at and for the year ended 31 December 2006 to conform to the current period's presentation:

- share in loss of associates amounting to USD 24 thousand, previously included in other expenses, is presented as a separate line item in the consolidated income statement;
- interest payable amounting to USD 97 thousand, previously included in accounts and notes payable in the consolidated balance sheet, is reclassified to loans and borrowings;
- corporate profit tax payable amounting to USD 109 thousand, previously included in other taxes payable, is presented as a separate line item in the consolidated balance sheet;
- rental income amounting to USD 773 thousand, previously included in other income, is reclassified to revenues;
- finance income and finance costs previously presented on net basis amounting to USD 1,220 thousand are presented gross as separate line items in consolidated income statement: finance costs amounting to USD 1,803 thousand and finance income amounting to USD 583 thousand.

Subsequent to the date that the originally reported consolidated financial statements as at and for the year ended 31 December 2007 were authorised for issue, 18 July 2008, management further modified the classification of assets in the consolidated balance sheet as at 31 December 2007:

- property development rights in the amount of USD 23,786 thousand (31 December 2006: USD 4,778 thousand) previously presented as construction work-in-progress within inventories, is presented as a separate line in the consolidated balance sheet within non-current assets. Management believes that this approach and the new accounting policy disclosed in note 3(f) are in compliance with IFRS as adopted by European Union and result in a more faithful and reliable presentation of such costs
- amounts receivable under reverse repurchase agreements of USD 5,349 thousand (31 December 2006: USD 3,960 thousand), previously presented as a separate balance sheet line, are reclassified to trade and other receivables.

The table below represents the summarised impact of reclassifications and corrections of the originally reported amounts on the consolidated financial position of the Group as at 31 December 2007:

| | 2007 (originally reported) | Reclassi- fica- tions (note 2(f)(ii)) | Correction of errors (note 2(f)(i)) | | | 2007 (reissued) |
|--|----------------------------------|---|-------------------------------------|---------------|--------------|--------------------|
| | | | [1] | [2] | [3] | |
| <i>(in thousands of US dollars)</i> | | | | | | |
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 141,229 | - | 15,385 | - | 1,585 | 158,199 |
| Intangible assets | 900 | - | - | - | - | 900 |
| Investment property | 53,968 | - | - | - | 2,023 | 55,991 |
| Property development rights and costs | - | 23,786 | - | - | - | 23,786 |
| Investments in unconsolidated subsidiaries and associates not accounted for under equity method | 360 | - | - | - | - | 360 |
| Long-term deposit | 218 | - | - | - | - | 218 |
| | <u>196,675</u> | <u>23,786</u> | <u>15,385</u> | <u>-</u> | <u>3,608</u> | <u>239,454</u> |
| Current assets | | | | | | |
| Inventories | 162,193 | (23,786) | (15,385) | 22,575 | (608) | 144,989 |
| Amounts receivable under reverse repurchase agreements | 5,349 | (5,349) | - | - | - | - |
| Trade and other receivables | 20,603 | 5,349 | - | (3,164) | - | 22,788 |
| Taxes recoverable, other than income tax | 10,230 | - | - | - | - | 10,230 |
| Prepayments | 14,721 | - | - | - | - | 14,721 |
| Short-term deposits | 25,205 | - | - | - | - | 25,205 |
| Cash and cash equivalents | 17,148 | - | - | - | - | 17,148 |
| | <u>255,449</u> | <u>(23,786)</u> | <u>(15,385)</u> | <u>19,411</u> | <u>(608)</u> | <u>235,081</u> |
| Total assets | <u>452,124</u> | <u>-</u> | <u>-</u> | <u>19,411</u> | <u>3,000</u> | <u>474,535</u> |

| <i>(in thousands of US dollars)</i> | 2007 (originally reported) | Reclassi- fica- tions (note 2(f)(ii)) | Correction of errors (note 2(f)(i)) | | | 2007 (reissued) |
|--|----------------------------------|---|-------------------------------------|--------|-------|--------------------|
| | | | [1] | [2] | [3] | |
| Equity and liabilities | | | | | | |
| Equity | | | | | | |
| Share capital | 518 | - | - | - | - | 518 |
| Share premium | 100,673 | - | - | - | - | 100,673 |
| Additional paid-in capital | 2,592 | - | - | - | - | 2,592 |
| Revaluation reserve | 50,998 | - | - | - | 1,015 | 52,013 |
| Retained earnings | 71,333 | - | - | - | 1,311 | 72,644 |
| Translation reserve | 2,585 | - | - | - | - | 2,585 |
| Total equity attributable to equity holders of the parent | 228,699 | - | - | - | 2,326 | 231,025 |
| Minority interests | 1,441 | - | - | - | - | 1,441 |
| Total equity | 230,140 | - | - | - | 2,326 | 232,466 |
| Non-current liabilities | | | | | | |
| Long term interest bearing loans and borrowings | 2,542 | - | - | - | - | 2,542 |
| Finance lease liability | 1,255 | - | - | - | - | 1,255 |
| Deferred tax liability | 37,133 | - | - | - | 674 | 37,807 |
| | 40,930 | - | - | - | 674 | 41,604 |
| Current liabilities | | | | | | |
| Short-term interest bearing loans and borrowings | 28,471 | - | - | - | - | 28,471 |
| Current portion of long-term interest bearing loans and borrowings | 41,097 | - | - | - | - | 41,097 |
| Current portion of finance lease liability | 283 | - | - | - | - | 283 |
| Trade and other payables | 16,137 | - | - | - | - | 16,137 |
| Income tax payable | 66 | - | - | - | - | 66 |
| Taxes payable, other than income tax | 673 | - | - | - | - | 673 |
| Advances received | 94,327 | - | - | 19,411 | - | 113,738 |
| | 181,054 | - | - | 19,411 | - | 200,465 |
| Total equity and liabilities | 452,124 | - | - | 19,411 | 3,000 | 474,535 |

The table below represents the summarised impact of correction of the originally reported amounts on the consolidated income statement of the Group for the year ended 31 December 2007:

| | 2007 (originally reported) | <u>Correction of errors (note 2(f)(i))</u> | | 2007 (reissued) |
|--|----------------------------------|--|--------------|--------------------|
| | | [2] | [3] | |
| <i>(in thousands of US dollars)</i> | | | | |
| Revenues | 60,846 | (3,164) | - | 57,682 |
| Cost of revenues | (42,249) | 3,164 | - | (39,085) |
| Gross profit | 18,597 | - | - | 18,597 |
| Other income | 8,971 | - | - | 8,971 |
| General administrative expenses | (9,286) | - | - | (9,286) |
| Selling and distribution expenses | (1,500) | - | - | (1,500) |
| Change in fair value of investment properties | 11,696 | - | 605 | 12,301 |
| Gain on release of bad debts (bad debt expense) | 427 | - | - | 427 |
| Gain on acquisition of subsidiaries | 1,099 | - | - | 1,099 |
| Share in profit (loss) of associates | 319 | - | - | 319 |
| Other expenses | (2,418) | - | (1) | (2,419) |
| Finance income | 1,652 | - | - | 1,652 |
| Finance costs | (3,441) | - | - | (3,441) |
| Profit before tax | 26,116 | - | 604 | 26,720 |
| Income tax expense | (13,452) | - | (151) | (13,603) |
| Net profit | 12,664 | - | 453 | 13,117 |
| <i>Attributable to:</i> | | | | |
| Participants of the parent | 12,691 | - | 453 | 13,144 |
| Minority interests holders | (27) | - | - | (27) |
| Net profit | 12,664 | - | 453 | 13,117 |
| Weighted average basic and diluted shares (in thousands of shares) | 48,962 | - | - | 48,962 |
| Basic and diluted earnings per share (in US dollars) | 0.26 | - | 0.01 | 0.27 |

The table below represents the summarised impact of correction of the originally reported amounts on the consolidated financial position of the Group as at 31 December 2006:

| | 2006 (originally reported as at 31 December 2006) | Reclas- sifica- tions (note 2(f)(ii)) | Correction of errors (note 2(f)(i)) | | | 2006 (restated) |
|---|--|---|-------------------------------------|---------------|--------------|--------------------|
| | | | [1] | [2] | [3] | |
| <i>(in thousands of US dollars)</i> | | | | | | |
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 106,787 | - | 10,866 | - | 1,063 | 118,716 |
| Intangible assets | 851 | - | - | - | - | 851 |
| Investment property | 39,437 | - | - | - | 953 | 40,390 |
| Property development rights and costs | - | 4,778 | - | - | - | 4,778 |
| Investments in unconsolidated subsidiaries and associates not accounted for under equity method | 6,097 | - | - | - | - | 6,097 |
| Long-term deposit | 119 | - | - | - | - | 119 |
| | <u>153,291</u> | <u>4,778</u> | <u>10,866</u> | <u>-</u> | <u>2,016</u> | <u>170,951</u> |
| Current assets | | | | | | |
| Inventories | 77,586 | (4,778) | (10,866) | 11,035 | (311) | 72,666 |
| Amounts receivable under reverse repurchase agreements | 3,960 | (3,960) | - | - | - | - |
| Trade and other receivables | 26,539 | 3,960 | - | - | - | 30,499 |
| Taxes recoverable, other than income tax | 4,328 | - | - | - | - | 4,328 |
| Prepayments | 9,318 | - | - | - | - | 9,318 |
| Cash and cash equivalents | 1,387 | - | - | - | - | 1,387 |
| | <u>123,118</u> | <u>(4,778)</u> | <u>(10,866)</u> | <u>11,035</u> | <u>(311)</u> | <u>118,198</u> |
| Total assets | <u>276,409</u> | <u>-</u> | <u>-</u> | <u>11,035</u> | <u>1,705</u> | <u>289,149</u> |

TMM Real Estate Development plc
Reissued Consolidated Financial Statements
Notes to the Reissued Consolidated Financial Statements as at and for the year ended 31 December 2007

(in thousands of US dollars)

| | 2006 (reported as at 31 December 2006) | Reclassifications to conform to 2007 presentation | 2006 (reported in the financial statements as at 31 December 2007) | Correction of errors (note 2(f)(i)) | | 2006 (restated) |
|---|--|--|---|--|-------|--------------------|
| | | | | [2] | [3] | |
| Equity and liabilities | | | | | | |
| Equity | | | | | | |
| Share capital | 3 | - | 3 | - | - | 3 |
| Share premium | - | - | - | - | - | - |
| Additional paid-in capital | 2,592 | - | 2,592 | - | - | 2,592 |
| Revaluation reserve | 40,869 | - | 40,869 | - | 497 | 41,366 |
| Retained earnings | 58,250 | - | 58,250 | - | 858 | 59,108 |
| Translation reserve | 2,585 | - | 2,585 | - | - | 2,585 |
| Total equity attributable to equity holders of the parent | 104,299 | - | 104,299 | - | 1,355 | 105,654 |
| Minority interests | 2,679 | - | 2,679 | - | - | 2,679 |
| | 106,978 | - | 106,978 | - | 1,355 | 108,333 |
| Non-current liabilities | | | | | | |
| Long term interest bearing loans and borrowings | 25,974 | - | 25,974 | - | - | 25,974 |
| Finance lease liability | - | - | - | - | - | - |
| Deferred tax liability | 19,414 | - | 19,414 | - | 350 | 19,764 |
| | 45,388 | - | 45,388 | - | 350 | 45,738 |
| Current liabilities | | | | | | |
| Short-term interest bearing loans and borrowings | 2,673 | 97 | 2,770 | - | - | 2,770 |
| Current portion of long-term interest bearing loans and borrowings | 6,224 | - | 6,224 | - | - | 6,224 |
| Current portion of finance lease liability | - | - | - | - | - | - |
| Trade and other payables | 46,926 | (97) | 46,829 | - | - | 46,829 |
| Income tax payable | - | 109 | 109 | - | - | 109 |
| Taxes payable, other than income tax | 449 | (109) | 340 | - | - | 340 |
| Advances received | 67,771 | - | 67,771 | 11,035 | - | 78,806 |
| | 124,043 | - | 124,043 | 11,035 | - | 135,078 |
| Total equity and liabilities | 276,409 | - | 276,409 | 11,035 | 1,705 | 289,149 |

The table below represents the summarised impact of correction of the originally reported amounts on the consolidated income statement of the Group for the year ended 31 December 2006:

| | 2006 (reported as at 31 December 2006) | Reclassifications to conform to 2007 presentation | 2006 (originally reported in financial statements as at 31 December 2007) | Correction of error (note 2(f)(i)) [3] | 2006 (restated) |
|---|--|---|--|---|--------------------|
| <i>(in thousands of US dollars)</i> | | | | | |
| Revenues | 95,761 | 773 | 96,534 | - | 96,534 |
| Cost of revenues | (68,002) | - | (68,002) | - | (68,002) |
| Gross profit | 27,759 | 773 | 28,532 | - | 28,532 |
| Other income | 3,435 | (773) | 2,662 | - | 2,662 |
| General administrative expenses | (7,917) | | (7,917) | 1 | (7,916) |
| Selling and distribution expenses | (1,150) | | (1,150) | - | (1,150) |
| Change in fair value of investment properties | 18,247 | | 18,247 | 86 | 18,333 |
| Gain on release of bad debts (bad debt expense) | (1,741) | | (1,741) | - | (1,741) |
| Gain on acquisition of subsidiaries | - | | - | - | - |
| Share in profit (loss) of associates | - | (24) | (24) | - | (24) |
| Other expenses | (7,332) | 24 | (7,308) | - | (7,308) |
| Finance costs, net | (1,220) | 1,220 | | | |
| Finance income | - | 583 | 583 | - | 583 |
| Finance costs | - | (1,803) | (1,803) | - | (1,803) |
| Profit before tax | 30,081 | - | 30,081 | 87 | 30,168 |
| Income tax expense | (7,340) | - | (7,340) | (22) | (7,362) |
| Net profit | 22,741 | - | 22,741 | 65 | 22,806 |
| <i>Attributable to:</i> | | | | | |
| Participants of the parent | 22,986 | - | 22,986 | 65 | 23,051 |
| Minority interests holders | (245) | - | (245) | - | (245) |
| Net profit | 22,741 | - | 22,741 | 65 | 22,806 |
| Weighted average basic and diluted shares (in thousands of shares) | 45,000 | - | 45,000 | - | 45,000 |
| Basic and diluted earnings per share (in US dollars) | 0.51 | - | 0.51 | - | 0.51 |

The correction of errors resulted in the following changes in cash flow statement for the year 2007:

| | 2007 (originally reported) | Correction of prior period amounts | 2007 (reissued) |
|---|----------------------------------|---|--------------------|
| <i>(in thousands of US dollars)</i> | | | |
| Cash flows used in operating activities | (77,247) | 23,823 | (53,424) |
| Cash flows used in investing activities | (39,508) | (23,823) | (63,331) |

The correction of errors resulted in the following changes in cash flow statement for the year 2006:

| | 2006 (originally reported) | Correction of prior period amounts | 2006 (reissued) |
|---|----------------------------------|--|--------------------|
| <i>(in thousands of US dollars)</i> | | | |
| Cash flows provided by operating activities | 24,407 | 11,048 | 35,455 |
| Cash flows used in investing activities | (42,728) | (11,048) | (53,776) |

3 Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the reissued consolidated financial statements, except for the changes described in note 3 (a) and 3(f).

(a) Changes in accounting policies following adoption of new and amended standards

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretation Committee interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures, including in some cases, revisions to accounting policies:

- International Financial Reporting Standard IFRS 7 *Financial Instruments*: Disclosures requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

- Amendment to International Financial Reporting Standard IAS 1 *Presentation of Financial Statements – Capital Disclosures* requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 12.
- International Financial Reporting Interpretation Committee IFRIC 10 *Interim Financial Reporting and Impairment* was adopted by the Group as of 1 January 2007. The Interpretation requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

The Group has also early adopted the following IFRS and IFRIC interpretations. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including revisions to accounting policies.

- International Financial Reporting Standard IFRS 8 *Operating Segments* requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 *Segment Reporting*.
- *Puttable Financial Instruments and Obligations Arising on Liquidation*, issued in February 2008, amends International Financial Reporting Standard IAS 32 *Financial Instruments: Presentation* and International Financial Reporting Standard IAS 1 *Presentation of Financial Statements*. The amendments are effective for annual periods beginning on or after 1 January 2009, although earlier application is permitted. The Group decided to early adopt the amendments with effect from 1 January 2007. Prior to amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity.

(b) Consolidation

(i) Subsidiaries, associates, and special purpose entities

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 statements of subsidiaries are included in the reissued consolidated financial statements of the Group from the date that control effectively commences until the date that control effectively ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The reissued consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

A 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 were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(ii) *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.

The fair value of property, plant, and equipment and intangible assets recognised as a result of a business combination is based on market values.

The fair value of inventories acquired in a business combination is determined based on their estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iii) *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's reissued consolidated financial statements. The components of equity of the acquired entities are added to the same components within

Group equity except that any share capital of the acquired entities is recognised as part of retained earnings. Any cash paid for the acquisition is recognised directly in equity.

(iv) *Increases and decreases 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 Group 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.

(v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the reissued consolidated 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.

(c) *Foreign currency*

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to functional currencies of respective entities 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 functional currencies of respective entities 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 functional currencies of respective entities at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on retranslation of available-for-sale equity instruments.

The principal USD exchange rates used in the preparation of the reissued consolidated financial statements as at 31 December are as follows:

| Currency | 2007 | 2006 |
|-----------------|--------------|-------------|
| UAH | 0.198 | 0.198 |
| Euro (EUR) | 0.135 | 0.150 |

As at the date that these reissued consolidated financial statements are authorised for issue, 26 October 2010, the exchange rate is UAH 0.126 to USD 1.000, and UAH 0.09 to EUR 1.000.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to USD at the exchange rate at the balance sheet date. The income and expenses of foreign operations are translated to USD using rates approximating exchange rates at the dates of the transactions.

The resulting exchange differences are recorded directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised costs for qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Buildings were revalued as at 31 December 2007 and 2006. To determine the fair value of buildings, management obtains appraisals from an independent professionally qualified appraiser. The method used to determine fair value is comparison to similar properties.

Revaluations of property, plant 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

For the purpose of further development projects the Group acquired numerous land plots in the Kyiv region. These land plots are stated at cost in the consolidated balance sheet. Land is not depreciated.

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. This land is the property of the state and, therefore, is not included in the reissued consolidated financial statements.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised and the carrying amount of the component replaced is 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 income statement as an expense as incurred.

(iv) Construction in progress

Construction in progress is stated at cost less impairment losses.

(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 income statement, in which case it is recognised in the income statement. A revaluation decrease on a building is recognised in the income statement 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 consolidated income statement 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:

| | Years |
|---|--------------|
| Buildings | 50 |
| Heavy construction equipment | 20 |
| Production, construction and research equipment | 8 |
| Vehicles | 6 |
| IT and computer equipment | 4 |
| Furniture and office equipment | 4 |

(e) Intangible assets

Intangible assets, which are acquired by the Group and have finite useful lives, represent mainly computer software licences and are stated at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful lives from the date an asset is available for use. The estimated useful life is four years.

(f) Property development rights and costs

Property development rights and costs represent the rights owned by the Group to lease land plots to be used for further development and represent mainly land plots to be used for construction of residential properties. Property development rights and costs are stated at cost, being expenditures directly attributable to acquisition of such right, less impairment. Upon starting of development, property development rights and costs are transferred at cost to inventories.

(g) 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 income statement. Rental income from investment property is accounted for as described in accounting policy 3(t)(v).

Property that is being constructed for future use as investment property is accounted for as property, plant 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, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is revalued as at 31 December 2007 and 2006. To determine the fair value of buildings, management obtains appraisals from an independent professionally qualified appraiser. The method used to determine fair value is comparison to similar properties.

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.

(h) Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in consolidated income statement. Other leases are operating leases and the leased assets are not recognised on the Group's consolidated balance sheet.

Any initial direct costs of the lessee are added to the amount recognised as an asset.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(i) Financial instruments

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise accounts and notes receivable, cash and cash equivalents, loans and borrowings, and accounts and notes payable.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs,

except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expenses is discussed in note 3(v).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 0(n)) and foreign exchange gains and losses on available-for-sale monetary items (see note 3(c)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the consolidated income statement.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in the consolidated income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the consolidated income statement.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange and where fair value cannot be estimated on a reasonable basis by other means are stated at cost less impairment losses.

(ii) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the consolidated income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in the consolidated income statement.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable 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, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Work in progress and finished goods are stated at cost based on the individual cost method. Cost includes the cost of raw materials, labour and manufacturing overheads allocated proportionately to the stage of completion of the inventory based on normal operating capacity.

(k) Prepayments and other assets

Prepayments and other assets are stated at cost less impairment losses.

(l) Reverse repurchase agreements

Securities sold under agreements to repurchase are retained within the Group's portfolio and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is

recognised in the consolidated income statement over the term of the repurchase agreement using the effective interest rate method.

Securities purchased under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognised in the consolidated income statement over the term of the reverse repurchase agreement using the effective interest rate method. The receivables due under reverse repurchase agreements are recorded net of provisions for impairment.

(m) Earnings per share

Earnings per share are calculated by dividing net profit attributable to the shareholders of the Company 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.

(n) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the consolidated income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventories, investment properties measured at fair value, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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.

(o) 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.

The Group is also obligated to make contributions to certain defined benefit plans. Neither the contributions nor obligations are significant to these reissued consolidated financial statements.

(p) Advances received from customers and other liabilities

Advances received from customers and other liabilities are stated at cost.

(q) 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.

(r) Income tax

Income tax on profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, 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 consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

(s) 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.

(t) Revenues

(i) Goods sold

Revenues from the sale of residential and commercial property are recognised in the consolidated income statement when a binding agreement has been signed and the construction is complete and approved by the state commissioner.

Revenues from the sale of other goods are recognised in the consolidated income statement 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 the consolidated income statement 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

Construction contracts are contracts specifically negotiated with third parties when the Group is engaged in the construction of residential and business properties as a subcontractor on behalf of those parties and neither assumes ownership title over the assets being constructed nor assumes risks or rewards from subsequent usage or sale of those properties.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in consolidated income statement in proportion to the stage of completion of the contract. 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 stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in consolidated income statement.

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 by the Group. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Retentions and unpaid progress billings are included in accounts and notes receivable in these reissued consolidated financial statements. Advances are amounts received by the Group before the related work is performed and are included in advances received from customers in these reissued consolidated financial statements.

(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 income statement 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.

(u) Operating lease payments

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

(v) Finance income and expenses

Finance 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, except for borrowing costs capitalised as a part of a qualifying asset.

Borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using the effective interest 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.

(w) Segment reporting

The Group has no operating segment in the meaning suggested by IFRS 8 and does not report any financial information disclosing operating segments neither for internal use purposes nor for the purpose of these reissued consolidated financial statements. The only reportable units of the Group are development projects.

(x) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the reissued consolidated 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.

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2007, and have not been applied in preparing the reissued consolidated financial statements. Of these pronouncements, the following will potentially have an impact on the reissued consolidated financial statements:

- International Financial Reporting Standard IAS 1 *Presentation of Financial Statements* was revised in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transaction with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The amendment to IAS 1 also requires disclosure of certain information relating to puttable instruments classified as equity.
- International Financial Reporting Standard IFRS 3 *Business Combinations* (Revised) and International Financial Reporting Standard IAS 27 *Consolidated and Separate Financial Statements* (Amended) were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 (Revised) and IAS 27 (Amended) must be applied prospectively and will affect future potential acquisitions and respective transactions with minority interest (if any).

The standards may be early applied. However, the Group does not intend to take advantage of this possibility.

- IAS 28 *Investments in associates* has been consequently amended in line with revision of IFRS 3 and IAS 27 as described above.
- The amended IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2009) standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement and liquidity risk disclosures are not impacted by the amendment.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- IAS 40 *Investment Property* has been amended to bring within its scope investment property under construction. Consequently such property is measured at fair value when completed investment properties are measured at fair value.
- IFRIC 15 *Agreements for the Construction of Real Estate* is effective for annual periods beginning on or after 1 January 2009 and requires retrospective application. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of International Financial Reporting Standard IAS 11 *Construction Contracts* or International Financial Reporting Standard IAS 18 *Revenue* and when revenue from the construction should be recognized.

Management plans to adopt these new standards and amendments in its annual consolidated financial statements when they become effective. Management is currently studying what effect these new statements and amendments may have on the financial position and results of operations.

4 Acquisition of subsidiary

During the year ended 2007 the Group acquired the following company involved in the production of construction materials:

| Name | Country of incorporation | Date of acquisition | % of ownership by the Group as at 31 December 2007 |
|--|---------------------------------|----------------------------|---|
| LLC Kirovograd Plant of Construction Ceramics | Ukraine | 1 September 2007 | 99.9% |

The acquisition of LLC Kirovograd Plant of Construction Ceramics had the following effect on assets and liabilities as at the date they were acquired:

| | Recognised fair value at acquisition date |
|---|--|
| <i>(in thousands of US dollars)</i> | |
| Non-current assets | |
| Property, plant and equipment | 5,592 |
| Current assets | |
| Inventories | 60 |
| Taxes receivable | 176 |
| Cash and cash equivalents | - |
| Non-current liabilities | |
| Deferred tax liability | (1,172) |
| Current liabilities | |
| Current portion of long-term loans and borrowings | (693) |
| Accounts and notes payable | (625) |
| Net identifiable assets, liabilities and contingent liabilities | 3,338 |
| Group's interest in net identifiable assets, liabilities and contingent liabilities | 3,335 |
| Minority interests in net identifiable assets, liabilities and contingent liabilities | 3 |
| Excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over cost | 1,099 |
| Consideration paid | 2,236 |
| Cash acquired | - |
| Net cash outflow | 2,236 |

The amount of loss of LLC Kirovograd Plant of Construction Ceramics since the acquisition date included in profit for the year ended 31 December 2007 is USD 95 thousand.

It is not practicable to determine the carrying amounts of the acquired assets and liabilities in accordance with IFRS immediately prior to the date of acquisition because the acquired company's financial statements were prepared only in accordance with Ukrainian National Accounting Standards, which are significantly different from IFRSs.

For the same reason it is not practicable to determine what would be the total revenue and net profit for the year ended 31 December 2007 had the acquisitions occurred on 1 January 2007.

5 Property, plant and equipment

A summary of activity in property, plant and equipment for the year ended 31 December 2007 is as follows:

| | Land | Buildings (reissued) | Heavy constru- ction equip- ment | Production, construction and research equipment | Vehicles | IT and computer equip- ment | Furniture and office equipment | Constru- ction in progress (reissued) | Total (re- issued) |
|---|--------|-------------------------|--|---|----------|--------------------------------------|--------------------------------------|--|-----------------------|
| <i>(in thousands of US dollars)</i> | | | | | | | | | |
| Cost or re-valued amount | | | | | | | | | |
| 1 January 2007 | | | | | | | | | |
| (reissued) | - | 66,963 | 5,155 | 5,014 | 1,053 | 623 | 450 | 41,219 | 120,477 |
| Additions | | | | | | | | | |
| (reissued) | 9,943 | - | 6,014 | 1,319 | 868 | 440 | 260 | 8,291 | 27,135 |
| Additions from acquisition of subsidiaries | - | 4,744 | - | 33 | - | 1 | 1 | 813 | 5,592 |
| Disposals | - | (654) | (51) | (35) | (67) | (2) | (1) | - | (810) |
| Transfers | 22,299 | 1,977 | - | - | - | - | - | (27,576) | (3,300) |
| Revaluation | | | | | | | | | |
| (reissued) | - | 12,440 | - | - | - | - | - | - | 12,440 |
| 31 December 2007 | 32,242 | 85,470 | 11,118 | 6,331 | 1,854 | 1,062 | 710 | 22,747 | 161,534 |
| Accumulated depreciation and impairment losses | | | | | | | | | |
| 1 January 2007 | - | - | (647) | (517) | (258) | (193) | (146) | - | (1,761) |
| Depreciation charge | - | (1,338) | (348) | (714) | (235) | (192) | (139) | - | (2,966) |
| Disposals | - | 4 | 15 | 8 | 29 | 1 | 1 | - | 58 |
| Revaluation | | | | | | | | | |
| (reissued) | - | 1,334 | - | - | - | - | - | - | 1,334 |
| 31 December 2007 | - | - | (980) | (1,223) | (464) | (384) | (284) | - | (3,335) |
| Net book value | | | | | | | | | |
| 31 December 2007 | | | | | | | | | |
| (reissued) | 32,242 | 85,470 | 10,138 | 5,108 | 1,390 | 678 | 426 | 22,747 | 158,199 |

A summary of activity in property, plant and equipment for the year ended 31 December 2006 is as follows:

| | Buildings (restated) | Heavy constru- ction equipment | Production, construction and research equipment | Vehicles | IT and computer equipment | Furniture and office equipment | Constru- ction in progress (restated) | Total (restated) |
|---|-------------------------|---|--|------------|---------------------------------|--------------------------------------|--|---------------------|
| <i>(in thousands of US dollars)</i> | | | | | | | | |
| Cost or re-valued amount | | | | | | | | |
| 1 January 2006 | 39,717 | 4,225 | 1,254 | 725 | 440 | 231 | 3,712 | 50,304 |
| Correction of prior period amounts | 603 | - | - | - | - | - | 4,547 | 5,150 |
| 1 January 2006 (restated) | 40,320 | 4,225 | 1,254 | 725 | 440 | 231 | 8,259 | 55,454 |
| Additions (restated) | 1,327 | 935 | 3,764 | 388 | 336 | 219 | 38,674 | 45,643 |
| Disposals | - | (5) | (4) | (60) | (19) | - | - | (88) |
| Reclassifications to intangible assets | - | - | - | - | (134) | - | - | (134) |
| Transfers | - | - | - | - | - | - | (5,714) | (5,714) |
| Revaluation (restated) | 25,316 | - | - | - | - | - | - | 25,316 |
| 31 December 2006 (restated) | 66,963 | 5,155 | 5,014 | 1,053 | 623 | 450 | 41,219 | 120,477 |
| Accumulated depreciation and impairment losses | | | | | | | | |
| 1 January 2006 | - | (402) | (260) | (162) | (209) | (78) | - | (1,111) |
| Depreciation charge | (821) | (245) | (258) | (141) | (86) | (68) | - | (1,619) |
| Disposals | - | - | 1 | 45 | 6 | - | - | 52 |
| Reclassifications to intangible assets | - | - | - | - | 96 | - | - | 96 |
| Revaluation (restated) | 821 | - | - | - | - | - | - | 821 |
| 31 December 2006 (restated) | - | (647) | (517) | (258) | (193) | (146) | - | (1,761) |
| Net book value | | | | | | | | |
| 31 December 2006 (restated) | 66,963 | 4,508 | 4,497 | 795 | 430 | 304 | 41,219 | 118,716 |

(a) Revaluation

The total revaluation result for the year ended 31 December 2007 is USD 13,774 thousand, all of which is recognised in equity (2006: USD 26,137 thousand, of which USD 26,609 thousand of revaluation increase is recognised in equity, and USD 472 thousand of impairment is recognised in the consolidated income statement).

The carrying amount of buildings that would have been included in these financial statements had the assets been carried at historical cost less accumulated depreciation and impairment losses is USD 10,428 thousand as at 31 December 2007 (2006: USD 10,089 thousand) (unaudited).

(b) Depreciation charge

The total depreciation charge for the year ended 31 December is as follows:

| Recorded in: | 2007 | 2006 |
|-------------------------------------|--------------|-------------|
| <i>(in thousands of US dollars)</i> | | |
| Inventories | 2,077 | 360 |
| General and administrative expenses | 864 | 1,236 |
| Other expenses | 25 | 23 |
| Total depreciation charge | 2,966 | 1,619 |

(c) Prepayments for property, plant and equipment

The balance of construction in progress at 31 December 2007 includes USD 1,378 thousand of prepayments for property, plant and equipment, of which USD 1,359 thousand is prepayment for land.

(d) Security

As at 31 December 2007, property, plant and equipment with a carrying amount of USD 48,260 thousand is pledged to secure bank loans (2006: USD 54,948 thousand) (note 29(a)).

(e) Leased equipment and vehicles

The Group leases certain heavy construction equipment, production and construction equipment and vehicles under a number of finance lease agreements. At the end of each lease term the Group has the option to purchase the leased items of property, plant and equipment at a beneficial price. The leased items secure the relevant lease obligations.

At 31 December 2007, the net book value of leased property, plant and equipment is USD 1,885 thousand (2006: nil).

6 Investment property

A summary of activity in investment property for the year ended 31 December is as follows:

| | 2007 (reissued) | 2006 (restated) |
|--|--------------------|--------------------|
| <i>(in thousands of US dollars)</i> | | |
| Balance as at 1 January | 40,390 | 16,343 |
| Transfer from property, plant and equipment (note 5) | 3,300 | 5,714 |
| Change in fair value of investment properties (reissued) | 12,301 | 18,333 |
| Balance as at 31 December | 55,991 | 40,390 |

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

For the year ended 31 December 2007, rental income and direct operating expenses from investment property are USD 1,425 thousand and USD nil, respectively (2006: USD 773 thousand and nil, respectively).

As at 31 December 2007 investment property with a carrying value of USD 16,546 thousand is pledged to secure loans and borrowings (note 29(a)) (2006: USD 22,682 thousand).

7 Property development rights and costs

Property development rights and costs represent the rights owned by the Group to lease land plots to be used for further development.

8 Inventories

Inventories as at 31 December are as follows:

| | 2007 (reissued) | 2006 (restated) |
|--|--------------------|--------------------|
| <i>(in thousands of US dollars)</i> | | |
| Construction work-in-progress (reissued) | 101,953 | 40,272 |
| Finished goods: | | |
| Constructed residential property | 12,219 | 11,493 |
| Other | 260 | 155 |
| Raw materials and consumables | 29,196 | 20,094 |
| Merchandise inventory held for resale | 1,361 | 652 |
| Total inventories (reissued) | 144,989 | 72,666 |

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.

The write-down of inventories to net realizable value for the year ended 31 December 2007 amounted to USD 171 thousand (2006: nil) and was included into cost of revenues.

9 Trade and other receivables

Trade and other receivable as at 31 December are as follows:

| | 2007 (reissued) | 2006 |
|--|--------------------|---------------|
| <i>(in thousands of US dollars)</i> | | |
| Notes receivable | 6,907 | 6,907 |
| Trade accounts receivable | 5,847 | 13,935 |
| Accounts receivable under reverse repurchase agreements | 5,349 | 3,960 |
| Due from shareholders | 2,939 | 3,850 |
| Interest-free loans to employees and shareholders | 947 | 458 |
| Due from customers for construction work in progress (reissued) | 1,528 | 2,914 |
| Accrued income | 291 | - |
| Interest-free loans to third parties | 176 | 229 |
| Other receivables | 5,485 | 5,634 |
| Less provision for impairment | (6,683) | (7,388) |
| Total trade and other receivable (reissued) | 22,788 | 30,499 |

As at 31 December 2007, aggregate costs incurred under open construction contracts, net of recognised losses, amount to USD 6,445 thousand (2006: USD 24,055 thousand) and progress billings to customers under open construction contracts amount to USD 12,481 thousand (2006: USD 39,371 thousand).

The provision for impairment for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

As at 31 December 2007 and 2006, amounts receivable under reverse repurchase agreements relate to corporate shares of a Ukrainian enterprise acquired by the Group. The balance has been totally repaid to the Group subsequent to the balance sheet date.

Changes in provisions for impairment of trade and other receivable during the year ended 31 December are as follows:

| | 2007 | 2006 |
|---|--------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| Balance as at 1 January | 7,388 | 5,862 |
| (Release of bad debts) bad debt expense | (427) | 1,741 |
| Amounts written off | (278) | (215) |
| Balance as at 31 December | 6,683 | 7,388 |

As at 31 December 2007, trade and other receivable that are past due 365 days but not impaired totalled USD 5,607 thousand (2006: USD 1,959 thousand).

10 Taxes recoverable other than income tax

Taxes recoverable other than income tax as at 31 December are as follows:

| | 2007 | 2006 |
|--|---------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| VAT | 10,211 | 4,298 |
| Salary related taxes | - | 26 |
| Other | 19 | 4 |
| Total taxes recoverable other than income tax | 10,230 | 4,328 |

11 Deposits

As at 31 December 2007, deposits are as follows:

| | Less than one year | From one year to five years | Total |
|-------------------------------------|-----------------------|--------------------------------|---------------|
| <i>(in thousands of US dollars)</i> | | | |
| Non-current deposit: | | | |
| UAH – fixed at 15.0% | - | 218 | 218 |
| Current deposits: | | | |
| USD – fixed at 11.0% | 14,874 | - | 14,874 |
| UAH – fixed at 13.4%-15.3% | 10,331 | - | 10,331 |
| | 25,205 | 218 | 25,423 |

As at 31 December 2006, the long-term deposit of USD 119 thousand related to UAH denominated deposit bearing fixed interest rate of 14.0%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28(d).

All short-term deposits and USD 119 thousand of long-term deposits have been repaid to the Group subsequent to the balance sheet date.

12 Share capital

As of the date of incorporation, 30 November 2006, share capital of TMM Real Estate Development plc amounted to USD 2,700 and comprised 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.

On 7 March 2007, TMM Real Estate Development Ltd issued 44,730,000 ordinary shares with a par value of USD 0.01 as a part of restructuring in exchange for shares in LLC Firm TMM. For the purposes of presenting earnings per share information the number of ordinary shares was adjusted as if the event occurred at the beginning of the earliest period presented.

On 14 May 2007, the Company issued further 6,792,165 ordinary shares USD 0.01 each.

On 29 May 2007, the shares of TMM Real Estate Development Ltd were admitted for trading on the Frankfurt Stock Exchange. As a result of the offering, 6,792,165 shares were sold. The issue price was EUR 11.65 (USD 15.45). Investors subscribed for shares totalling EUR 79,129 thousand (USD 104,939 thousand). The issue proceeds less transactions costs were used to increase the share capital of LLC Firm TMM.

As a result of these transactions, the Company had 51,792,165 ordinary shares issued and paid-in as at 31 December 2007. The nominal value of ordinary shares is USD 0.01 as at 31 December 2007 and 2006. As at 31 December 2007, the total authorized share capital amounted to 70,000,000 shares (2006: 2,700 shares).

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company.

The weighted average number of ordinary shares outstanding during the year is calculated as shown below. The Company has no potential dilutive shares.

| | 2007 | 2006 |
|---|-------------------|------------|
| <i>(in shares)</i> | | |
| Issued shares at 1 January | 45,000,000 | 45,000,000 |
| Effect of shares issued in May 2007 | 3,962,096 | - |
| | <hr/> | <hr/> |
| Weighted average number of shares for the year ended 31 December | 48,962,096 | 45,000,000 |
| | <hr/> | <hr/> |

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of

Directors monitor both the composition of shareholders, as well as the return on capital, which the Group defines as profit from operations divided by total equity.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company's subsidiaries are subject to capital requirements imposed by Ukrainian legislation. Management believes that there was no non-compliance with the requirements as at 31 December 2007 and 2006.

13 Loans and borrowings

This note provides information about the contractual terms of loans and borrowings. Refer to note 28(d) for more information about exposure to interest rate and foreign currency risk. Loans and borrowings as at 31 December are as follows:

| Bank <i>(in thousands of US dollars)</i> | Currency | Nominal interest rate | Effective interest rate | Maturity | 2007 | 2006 |
|--|-----------------|------------------------------|--------------------------------|-----------------|---------------|--------------|
| <i>Short-term loans and borrowings</i> | | | | | | |
| Savings bank | UAH | Fixed 14.0% | 15.10% | April 2008 | 12,769 | - |
| Unicredit | EUR | LIBOR +5.3% | 11.54% | April 2008 | 8,452 | - |
| Unicredit | EUR | LIBOR +5.7% | 11.54% | April 2008 | 2,332 | - |
| Unicredit | EUR | LIBOR +6.2% | 11.54% | April 2008 | 4,099 | - |
| VAB bank | UAH | Fixed 15.5% | 15.5% | January 2008 | 423 | - |
| TMM-Bank | UAH | Fixed 17.0% | 19.0% | Various 2008 | 396 | - |
| TMM-Bank | UAH | Fixed 17.0% | 17.5% | June 2007 | - | 2,420 |
| TMM-Bank | USD | Fixed 15.0% | 15.0% | March 2007 | - | 350 |
| Total short-term loans and borrowings | | | | | 28,471 | 2,770 |
| <i>Current portion of long-term loans and borrowings</i> | | | | | | |
| Bonds issued D series | UAH | Fixed 13.0% | 13.9% | October 2008 | 37,011 | - |
| Bonds issued C series | UAH | Fixed 15.0% | 17.4% | January 2008 | 3,072 | - |
| Suppliers credits | EUR | Fixed 9.7% | 12.6% | Various 2008 | 645 | - |
| Suppliers credits | USD | Fixed 11.4% | 12.3% | Various 2008 | 270 | - |
| Suppliers credits | EUR | Fixed 9.8% | 10.4% | Various 2008 | 43 | - |
| Suppliers credits | USD | Fixed 11.4% | 15.0% | Various 2008 | 26 | - |
| Suppliers credits | EUR | Fixed 10.0% | 10.0% | Various 2008 | 19 | - |
| Suppliers credits | USD | Fixed 10.0% | 10.0% | Various 2008 | 11 | - |
| Suppliers credits | USD | Fixed 10.0% | 10.0% | Various 2007 | - | 397 |
| Bonds issued A series | UAH | Fixed 15.0% | 17.6% | November 2007 | - | 2,808 |
| Bonds issued B series | UAH | Fixed 15.0% | 17.8% | December 2007 | - | 2,948 |

| Bank <i>(in thousands of US dollars)</i> | Currency | Nominal interest rate | Effective interest rate | Maturity | 2007 | 2006 |
|--|-----------------|------------------------------|--------------------------------|-----------------|---------------|---------------|
| Finance and credit | UAH | Fixed 10.0% | 10.0% | August 2007 | - | 71 |
| Total current portion of long-term loans and borrowings | | | | | 41,097 | 6,224 |
| <i>Long-term loans and borrowings</i> | | | | | | |
| Suppliers credits | EUR | Fixed 9.7% | 12.6% | September 2012 | 1,329 | - |
| Suppliers credits | USD | Fixed 11.4% | 12.3% | March 2012 | 939 | - |
| Suppliers credits | EUR | Fixed 9.8% | 10.4% | April 2012 | 170 | - |
| Suppliers credits | USD | Fixed 11.4% | 15.0% | April 2012 | 104 | - |
| Savings bank | UAH | Fixed 14.0% | 14.0% | April 2008 | - | 11,287 |
| HVB Ukraine | EUR | LIBOR +7.15% | 13.0% | April 2008 | - | 11,439 |
| HVB Ukraine | USD | LIBOR +7.15% | 11.0% | April 2008 | - | 210 |
| Bonds issued C series | UAH | Fixed 15.0% | 17.4% | January 2008 | - | 3,038 |
| Total long-term loans and borrowings | | | | | 2,542 | 25,974 |
| Total loans and borrowings | | | | | 72,110 | 34,968 |

Bonds issued C series include UAH denominated general obligation bonds issued by LLC TMM. The par value of each bond is USD 198 (UAH 1,000). The bonds pay fixed interest of 15.0% as at 31 December 2007 (31 December 2006: 15.0%), which is payable in quarterly instalments. The interest rate can be modified at the discretion of TMM but cannot be below 5.0%. The bonds were totally repaid on 9 January 2008.

Bonds issued D series include UAH denominated general obligation bonds issued by LLC TMM on 4 October 2007. The par value of each bond is USD 198 (UAH 1,000). The bonds pay fixed interest of 13.0% as at 31 December 2007, which is payable in quarterly instalments. The interest rate can be modified at the discretion of LLC TMM but cannot be below 3.0%. The bonds are subject to early redemption at the request of the bond holders at par value on 2 October 2008. The latest redemption period is 1 October 2009.

The Group has no subordinated debt.

At the date of this report, 26 October 2010, LIBOR one month rate for EUR denominated loans is 0.8%, the LIBOR six months rate for USD denominated loans is 0.5% and for EUR denominated loans the LIBOR six months rate is 1.2%.

For a description of assets pledged by the Group in connection with loans and borrowings refer to note 29(a).

14 Finance lease liability

The Group leases a number of heavy construction equipment, production and construction equipment and vehicles under a number of finance lease agreements. At the end of each lease term the Group has the option to purchase the leased items of property, plant and equipment at a beneficial price. The leased items secure the relevant lease obligations.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | | 2007 | | 2006 |
|--|---------------------|---------------------------------|---------------------|---------------------------------|
| | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
| <i>(in thousands of US dollars)</i> | | | | |
| Within one year | 494 | 283 | - | - |
| After one year but no more than five years | 1,760 | 1,255 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total minimum lease payments | 2,254 | - | - | - |
| Less amount representing finance charges | (716) | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Present value of minimum lease payments | 1,538 | 1,538 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The lease liabilities are denominated in USD and EUR. The lease term is four to five years.

The average effective interest rates for the year ended 31 December are as follows:

| | 2007 | 2006 |
|-----|-------|------|
| USD | 18.7% | - |
| EUR | 13.8% | - |

The interest rate inherent in the lease is linked to the relevant LIBORs.

15 Trade and other payables

Accounts and notes payable as at 31 December are as follows:

| | 2007 | 2006 |
|---|---------------|---------------|
| <i>(in thousands of US dollars)</i> | | |
| Trade accounts payable | 11,221 | 7,952 |
| Prepayments received for securities | 1,360 | 2,470 |
| Salaries payable | 1,100 | 467 |
| Accrual for unused vacation | 867 | 870 |
| Accrual for taxes other than corporate tax | 333 | - |
| Notes payable | 331 | 593 |
| Deferred income | 55 | 19 |
| Billings in excess of costs incurred | - | 18,619 |
| Accrual for corporate tax | - | 6,214 |
| Prepayment received for investments in unconsolidated subsidiaries and associates | - | 6,097 |
| Other | 870 | 3,528 |
| | <hr/> | <hr/> |
| Total accounts and notes payable | 16,137 | 46,829 |
| | <hr/> | <hr/> |

Prepayment received for investments in unconsolidated subsidiaries relates to the advances made by LLC TMM-Holding for investments in unconsolidated subsidiaries.

16 Taxes payable, other than income tax

Taxes payable as at 31 December are as follows:

| | 2007 | 2006 |
|-------------------------------------|------------|------------|
| <i>(in thousands of US dollars)</i> | | |
| Salary related taxes | 613 | 295 |
| VAT | 33 | 18 |
| Other | 27 | 27 |
| | <hr/> | <hr/> |
| Total taxes payable | 673 | 340 |
| | <hr/> | <hr/> |

17 Advances received

As at 31 December 2007 and 2006, advances received from customers include USD 107,683 thousand and USD 57,576 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.

18 Revenues

Revenues for the year ended 31 December are as follows:

| | 2007 | 2006 |
|---|-------------------|--------|
| | (reissued) | |
| <i>(in thousands of US dollars)</i> | | |
| Sales of apartments | 27,322 | 37,055 |
| Revenues on construction contracts (reissued) | 25,710 | 58,516 |
| Rental income | 1,464 | 773 |
| Other | 3,186 | 190 |
| Total revenues (reissued) | 57,682 | 96,534 |

All revenue is generated from sales to customers in Ukraine.

19 Cost of revenues

Cost of revenues for the year ended 31 December is as follows:

| | 2007 | 2006 |
|---|-------------------|--------|
| | (reissued) | |
| <i>(in thousands of US dollars)</i> | | |
| Cost of apartments sold | 24,615 | 29,671 |
| Costs under construction contracts (reissued) | 9,857 | 38,161 |
| Other | 4,613 | 170 |
| Total cost of revenues (reissued) | 39,085 | 68,002 |

Total salaries and related charges paid to employees and included in production costs for the year ended 31 December 2007 amount to USD 14,499 thousand (2006: USD 3,212 thousand).

20 Other income

Other income for the year ended 31 December is as follows:

| | 2007 | 2006 |
|---|--------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| Release of accrual for taxes | 6,214 | - |
| Gain on accounts payables write-off | 1,028 | - |
| Gain on sale of other goods and services | - | 2,470 |
| Gain on disposal of property, plant and equipment | - | 4 |
| Other income | 1,729 | 188 |
| | <hr/> | <hr/> |
| Total other income | 8,971 | 2,662 |
| | <hr/> | <hr/> |

21 General administrative expenses

General administrative expenses for the year ended 31 December are as follows:

| | 2007 | 2006 |
|--|--------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| Salary and related charges | 4,757 | 4,069 |
| Professional services | 1,473 | 499 |
| Depreciation and amortisation | 901 | 1,281 |
| Communication | 325 | 264 |
| Bank and similar charges | 275 | 913 |
| Insurance | 266 | 131 |
| Taxes other than on income | 232 | 163 |
| Business trips | 134 | - |
| Materials | 116 | 56 |
| Obligatory charges on purchase of foreign currency | 86 | 207 |
| Rent | 21 | - |
| Maintenance | - | 35 |
| Other | 700 | 298 |
| Total general and administrative expenses | 9,286 | 7,916 |

22 Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December are as follows:

| | 2007 | 2006 |
|--|--------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| Advertising | 946 | 566 |
| Transportation | 402 | 454 |
| Salary and related charges | 68 | - |
| Professional services | 9 | 33 |
| Other | 75 | 97 |
| Total selling and distribution expenses | 1,500 | 1,150 |

23 Other expenses

Other expenses for the year ended 31 December are as follows:

| | 2007 | 2006 |
|--|--------------|--------------|
| <i>(in thousands of US dollars)</i> | | |
| Loss on disposal of property, plant and equipment | 670 | - |
| Loss on initial recognition of loans to third parties at fair values | 182 | - |
| Charity | 160 | 22 |
| Loss on sale of other goods and services | 131 | - |
| Research and development | 105 | 47 |
| Penalties | 82 | 4 |
| Accrual for taxes | - | 6,214 |
| Impairment of property, plant and equipment | - | 472 |
| Other expenses | 1,089 | 549 |
| | <hr/> | <hr/> |
| Total other expenses | 2,419 | 7,308 |
| | <hr/> <hr/> | <hr/> <hr/> |

24 Finance income

Finance income for the year ended 31 December is as follows:

| | 2007 | 2006 |
|---|--------------|-------------|
| <i>(in thousands of US dollars)</i> | | |
| Interest income | 1,652 | 218 |
| Net result from dealing with securities | - | 365 |
| | <hr/> | <hr/> |
| Total finance income | 1,652 | 583 |
| | <hr/> <hr/> | <hr/> <hr/> |

25 Finance costs

Finance costs for the year ended 31 December is as follows:

| | 2007 | 2006 |
|---|--------------|--------------|
| <i>(in thousands of US dollars)</i> | | |
| Interest expense | 1,533 | 1,099 |
| Foreign exchange loss | 1,743 | 704 |
| Net result from dealing with securities | 165 | - |
| | <hr/> | <hr/> |
| Total finance costs | 3,441 | 1,803 |
| | <hr/> <hr/> | <hr/> <hr/> |

During the year ended 31 December 2007, the Group capitalised USD 5,762 thousand (2006: USD 2,644 thousand) of borrowing costs.

26 Income tax expense

Income tax expense for the year ended December 31 is as follows:

| | 2007 | 2006 |
|---|-------------------|------------|
| | (reissued) | (restated) |
| <i>(in thousands of US dollars)</i> | | |
| Current | 175 | 223 |
| Deferred: origination and reversal of temporary differences | 13,428 | 7,139 |
| Total income tax expense | 13,603 | 7,362 |

The corporate income tax rate in 2007 and 2006 is 10% for the Parent Company and 25% for Ukrainian companies.

(a) Reconciliation of effective tax rate

The difference between the total expected income tax expense computed by applying the applicable income tax rate to profit before tax and the reported tax expense is as follows:

(in thousands of US dollars)

| | 2007 | % | 2006 | % |
|---|-------------------|-------------|------------|------|
| | (reissued) | | (restated) | |
| Profit before tax (reissued) | 26,720 | 100% | 30,168 | 100% |
| Income tax expense at applicable rate (reissued) | 6,680 | 25% | 7,542 | 25% |
| Non-deductible (non-taxable) items, net | 6,923 | 26% | (180) | (1%) |
| Effective income tax expense (reissued) | 13,603 | 51% | 7,362 | 24% |

Non-taxable income relates mainly to proceeds from the sale of construction projects not included in taxable income.

(b) Movements in temporary differences

Movements in temporary differences during the year ended 31 December are as follows:

| | 1 January 2007 (restated) | Recognised in equity (reissued) | Recognised in business combination (reissued) | Recognised in income statement (reissued) | 31 December 2007 (reissued) |
|--|--|--|--|--|--|
| <i>(in thousands of US dollars)</i> | | | | | |
| Property, plant and equipment and investment property (reissued) | (25,633) | (3,443) | (1,172) | (2,417) | (32,665) |
| Investments | 7,912 | - | - | (138) | 7,774 |
| Inventories and property development rights and costs (reissued) | (8,736) | - | - | (5,885) | (14,621) |
| Trade and other receivable | 1,755 | - | - | (672) | 1,083 |
| Taxes recoverable, other than income tax | 350 | - | - | (38) | 312 |
| Prepayments | (1,341) | - | - | (827) | (2,168) |
| Trade and other payables | 5,256 | - | - | (4,865) | 391 |
| Loans and borrowings | 23 | - | - | 421 | 444 |
| Advances received | 650 | - | - | 993 | 1,643 |
| Net deferred tax liability (reissued) | (19,764) | (3,443) | (1,172) | (13,428) | (37,807) |

| | 1 January 2006 (restated) | Recognised in equity (restated) | Recognised in income statement (restated) | 31 December 2006 (restated) |
|---|---------------------------------|---------------------------------------|--|-----------------------------------|
| <i>(in thousands of US dollars)</i> | | | | |
| Property, plant and equipment and investment property (restated) | (12,326) | (6,652) | (6,655) | (25,633) |
| Investments | 5,647 | - | 2,265 | 7,912 |
| Inventories and property development rights and costs (restated) | 7,776 | - | (16,512) | (8,736) |
| Trade and other receivable | (6,696) | - | 8,451 | 1,755 |
| Taxes recoverable, other than income tax | - | - | 350 | 350 |
| Prepayments | (1,487) | - | 146 | (1,341) |
| Trade and other payables | 3,591 | - | 1,665 | 5,256 |
| Loans and borrowings | 771 | - | (748) | 23 |
| Advances received | (3,249) | - | 3,899 | 650 |
| Net deferred tax liability (restated) | (5,973) | (6,652) | (7,139) | (19,764) |

27 Determination of fair values

A number of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values are determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

For non-derivative financial liabilities, fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Management believes that the fair value of financial assets and liabilities approximates their carrying amounts as at 31 December 2007.

28 Financial instruments

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about exposure to each of these risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these reissued consolidated financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers.

(i) Trade and other receivable

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. There is no significant concentration of receivables from a single customer.

Management has a credit policy under which each new counterparty is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open

amount without requiring additional approval from management. These limits are reviewed on an annual basis. Counterparties that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods sold are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

| | 2007 (reissued) | 2006 |
|---|----------------------------------|--------------------|
| <i>(in thousands of US dollars)</i> | | |
| Investments into unconsolidated subsidiaries and associates | - | 6,097 |
| Long-term deposits | 218 | 119 |
| Trade and other receivables | 22,788 | 30,499 |
| Short-term deposits | 25,205 | - |
| Cash and cash equivalents | 17,148 | 1,387 |
| | <hr/> 65,359 <hr/> | <hr/> 38,102 <hr/> |

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of prepayments amounting to USD 14,721 thousand as at 31 December 2007 (2006: USD 9,318 thousand).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, as at 31 December 2007, the Group maintains credit lines from local banks with an outstanding unused balance in total amounting to USD 14,501 thousand.

The contractual maturities of non-derivative financial liabilities including interest payments and excluding the impact of netting agreements are as follows:

| 31 December 2007 <i>(in thousands of US dollars)</i> | Carrying amount | Contractual cash flows | Less than one year | From one to five years |
|--|----------------------------|-----------------------------------|-------------------------------|-----------------------------------|
| Loans and borrowings | 72,110 | 78,519 | 74,873 | 3,646 |
| Finance lease liabilities | 1,538 | 2,254 | 494 | 1,760 |
| Trade and other payables | 16,137 | 16,137 | 16,137 | - |
| | <u>89,785</u> | <u>96,910</u> | <u>91,504</u> | <u>5,406</u> |

| 31 December 2006 <i>(in thousands of US dollars)</i> | Carrying amount | Contractual cash flows | Less than one year | From one to five years |
|--|----------------------------|-----------------------------------|-------------------------------|-----------------------------------|
| Loans and borrowings | 34,968 | 40,502 | 13,742 | 26,760 |
| Trade and other payables | 46,829 | 46,829 | 46,829 | - |
| | <u>81,797</u> | <u>87,331</u> | <u>60,571</u> | <u>26,760</u> |

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than UAH being the functional currency of the Group's major entities. The currencies which give rise to such risk are primarily EUR and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The exposure to foreign currency risk is as follows:

| | | 2007 | | 2006 |
|-------------------------------------|-----------------|---------------|-----------------|--------------|
| | EUR | USD | EUR | USD |
| <i>(in thousands of US dollars)</i> | | | | |
| Deposits | - | 14,874 | - | - |
| Trade and other receivables | 294 | 5,376 | 295 | 4,657 |
| Cash and cash equivalents | 2,269 | 10,545 | 66 | 3 |
| Loans and borrowings | (17,089) | (1,350) | (11,439) | (957) |
| Finance lease liabilities | (589) | (949) | - | - |
| Trade and other payables | (2,256) | (3,997) | (261) | (1,284) |
| Net (short) long position | (17,371) | 24,499 | (11,339) | 2,419 |

A 10% strengthening of the UAH against the following currencies at 31 December would have increased (decreased) equity and net profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2007 | 2006 |
|-------------------------------------|---------|-------|
| <i>(in thousands of US dollars)</i> | | |
| EUR | 1,303 | 850 |
| USD | (1,837) | (181) |

A 10% weakening of the UAH against the above currencies as at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their 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 raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Refer to notes 11 and 13 for information about maturity dates and effective interest rates of fixed rate and floating rate financial instruments. Repricing for fixed rate financial instruments occurs at maturity. Repricing for floating rate financial instruments occurs semi-annually.

The analysis of the sensitivity of the interest rate repricing risk as at 31 December 2007 on net profit and equity based on a simplified scenario of 100 basis points (bp) parallel fall or rise in all yield curves (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

| | 2007 | 2006 |
|-------------------------------------|--------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| 100 bp parallel increase | (280) | (213) |
| 100 bp parallel decrease | 280 | 213 |

This analysis is based on interest bearing deposits and loans and borrowings outstanding as at 31 December 2007 and 2006.

The effect of fixed rate instruments is determined based on the assumption that they would be replaced at their maturity date at the current market rate and an increase or decrease of 100 bp.

(iii) Other market price risk

The Group does not enter into commodity contracts other than to meet the expected usage and sale requirements. Such contracts are not settled net.

29 Commitments and contingencies

(a) Pledged assets

As at 31 December, in connection with loans and borrowings, the Group pledged the following assets:

| | 2007 | 2006 |
|--|---------------|--------|
| <i>(in thousands of US dollars)</i> | | |
| Property, plant and equipment (note 5) | 48,260 | 54,948 |
| Investment property (note 6) | 16,546 | 22,682 |
| | <hr/> | <hr/> |
| Total pledged assets | 64,806 | 77,630 |
| | <hr/> | <hr/> |

(b) Purchase commitments

As at 31 December 2007, the Group entered into contracts to purchase property, plant and equipment and sub-constructor services for USD 15,473 thousand (2006: USD 14,517 thousand).

(c) Operating lease commitments

As at 31 December 2007 and 2006, there are 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 of 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 several 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 minimise 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.

As at the date that these consolidated financial statements are authorised for issue, of this report the tax statements of main companies of the Group for the year ended 31 December 2007 have been reviewed by the tax authorities. As a result of the review no significant claims or assessments against any member of the Group have been authorised.

30 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 is ultimately controlled by Mr. N. Tolmachov, who controls a majority of the voting rights.

(b) Transactions with management and close family members

(i) Short-term benefits of management

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 short-term benefits during the year, which is included in general administrative expense costs (see note 21):

| <i>(in thousands of US dollars)</i> | 2007 | 2006 |
|---|--------------|------|
| Salaries and bonuses | 808 | 155 |
| Other short-term benefits | 265 | - |
| Total short-term employee benefits | 1,073 | 155 |

(ii) Other transactions with key management personnel

For the year ended 31 December 2007 key management was entitled to purchase company-constructed apartments for the total amount of USD 246 thousand.

As at 31 December 2007 there were no loans given to key management (2006: USD 20 thousand).

(c) Transactions and balances with other related parties

(i) Revenues

Sales of goods and services to related parties for the year ended 31 December are as follows:

| | 2007 | 2006 |
|---|-------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| Unconsolidated subsidiaries and associates | - | 197 |
| Associates | 9 | 744 |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 303 | 5 |
| | <hr/> | <hr/> |
| Total | 312 | 946 |
| | <hr/> | <hr/> |

(ii) Financial costs

Financial costs in transactions with related parties for the years ended 31 December are as follows:

| | 2007 | 2006 |
|---|-------------|-------|
| <i>(in thousands of US dollars)</i> | | |
| Unconsolidated subsidiaries and associates | - | 405 |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 234 | - |
| | <hr/> | <hr/> |
| Total | 234 | 405 |
| | <hr/> | <hr/> |

(iii) Balances with related parties

Balances with related parties as at 31 December are as follows:

| | 2007 | 2006 |
|---|--------------|--------|
| <i>(in thousands of US dollars)</i> | | |
| Trade and other receivables: | | |
| Associates | 3,159 | 893 |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 7,384 | 10,442 |
| Cash and cash equivalents: | | |
| Unconsolidated subsidiaries | - | 26 |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 2,995 | 102 |
| Trade and other receivables: | | |
| Unconsolidated subsidiaries | - | 56 |
| Associates | 230 | 24 |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 539 | 10,643 |
| Loans and borrowings: | | |
| Unconsolidated subsidiaries | - | 2,673 |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 396 | - |
| Advances received: | | |
| Entities under common control with the Company or significantly influenced by related parties of the Group | 93 | - |

All of these balances, except for loans and borrowings with TMM-Bank, are non-interest bearing and due in the short term. Refer to note 13 about the contractual terms of loans and borrowings.

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.

31 Events subsequent to the balance sheet date

(a) Change in macroeconomic environment and subsequent development of property market in Ukraine

The ongoing global liquidity crisis which started in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Ukrainian banking and industrial sector, and higher interest rates, and significant drops in

prices on all types of properties in Ukraine. Such circumstances have affected the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The Group's customers have also been affected by the lower liquidity situations, which has in turn impacted their purchasing ability and capacity to pay amounts owed to the Group. Deteriorating of operating conditions for the Group's customers have also had an impact on management's cash flow forecasts and assessment of impairment of financial and non-financial assets.

In response to worsening of economic environment, subsequent to balance sheet date the Group has postponed some of its construction projects seeking to minimise its operating expense.

(b) Establishment, acquisition and disposal of subsidiaries

Subsequent to 31 December 2007, the Group acquired the following companies incorporated in Ukraine:

| Name | Activity | Location | % of ownership | Date of acquisition | Consideration paid |
|-------------------------------------|--------------------------------------|-------------------|-----------------------|----------------------------|---------------------------|
| <i>(in thousands of US dollars)</i> | | | | | |
| | Development of refuse disposal works | Kyiv (Ukraine) | 50.0% | 23 April 2008 | 3,700 |
| LLC Utilservice | | | | | |
| PE Greenbud | Development project | Kharkiv (Ukraine) | 100.0% | 22 May 2008 | 742 |
| LLC Economsystema | Development project | Kyiv (Ukraine) | 99.0% | 23 January 2008 | 380 |
| Total cost of investments | | | | | 4,822 |

It is not practicable to determine the carrying value of the acquired companies' assets and liabilities in accordance with IFRS immediately prior to the date of acquisition because the acquired companies' financial statements were prepared only in accordance with Ukrainian National Accounting Standards which are significantly different from IFRS.

In additions, subsequent to 31 December 2007, the Group established the following subsidiaries:

| Name | Activity | Location | % of ownership | Establishment date | Cost of investment |
|-------------------------------------|------------------------|-----------------|-----------------------|---------------------------|---------------------------|
| <i>(in thousands of US dollars)</i> | | | | | |
| | Production of | | | | |
| LLC TMM Vikna | construction materials | Kyiv (Ukraine) | 91.0% | July 2009 | 11 |
| LLC B2B | Development project | Kyiv (Ukraine) | 85.0% | July 2009 | 35 |
| LLC TMM-Energo | Development project | Kyiv (Ukraine) | 60.0% | August 2009 | 6 |

During the year ended 31 December 2008, the Group ceased to be primary beneficiary of LLC DP TG Ekipazh, a special purpose entity established to obtain rights to perform construction on plots of land owned by this entity, and a Cambier Development Corp., established to facilitate the sale of one of the construction projects of the Group (note 2(b)). The amount of contribution to the consolidated income statement and net assets of LLC DP TG Ekipazh and Cambier Development Corp. at the date of withdrawal are not material to these reissued consolidated financial statements.

(c) Financing matters

Subsequent to 31 December 2007, all short-term deposits, USD 119 thousand of long-term deposits and all balances under reverse repurchase agreements have been repaid (note 11).

In January 2008 and October 2009, the Group totally repaid its obligation on long-term bond C and D series, respectively.

Subsequent to 31 December 2007 the Group obtained a credit line facility with a Ukrainian bank with a total limit of UAH 744,032 thousand (USD 94,043 thousand at the foreign exchange rate ruling as at the date that these reissued consolidated financial statements are authorised for issue). Credit facilities bear interest rate of 15.5% - 19.0% per annum. Out of this amount, funds in amount of UAH 135,000 thousand (USD 17,063 thousand at the foreign exchange rate ruling as at the date that these reissued consolidated financial statements are authorised for issue), were spent on purchase of the fully completed residential complex "Ultra" in Kharkiv which is planned to be sold in the ordinary course of the Group's business.

On 8 April 2010, the Group together with a Ukrainian bank commenced customer mortgage financing program available for all the Group's completed and developing projects.

In September 2010, the Group restructured the repayment schedule of EUR 17,204 thousand denominated credit facilities due to one Ukrainian bank. According to new repayment schedule, EUR 10,107 thousand are due as at 31 October 2010, and the remaining amount is

to be settled during 1 November 2010 – 30 November 2011 in equal installments of EUR 500 thousand.

(d) Treasury shares

In July, September and December 2008, the Group repurchased 1,063,346 of its outstanding ordinary shares for the total cash consideration of USD 2,129 thousand.

In February 2009, the Group repurchased 268,000 of its outstanding ordinary shares for the total cash consideration of USD 39 thousand. In November 2009, the Group sold 250,000 of its repurchased ordinary shares for the total cash consideration of USD 54 thousand.

Mykola Tolmachev
Director



26 October 2010

Larysa Chyvurina
Director





KPMG Limited
Chartered Accountants
 14 Esperidon Street
 1087 Nicosia, Cyprus
 P.O.Box. 21121
 1502 Nicosia, Cyprus

Telephone +357 22 209000
 Telefax +357 22 678200
 Website www.kpmg.com.cy

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

TMM REAL ESTATE DEVELOPMENT PLC

Report on the Reissued Consolidated Financial Statements

We have audited the reissued consolidated financial statements of TMM Real Estate Development plc (the "Company") and its subsidiaries (the "Group") on pages 2 to 70, which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant reissued accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Reissued Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these reissued consolidated financial statements based on our audit. Except as described in the first two paragraphs of the Basis for Qualified opinion, 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 reissued consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the reissued consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the reissued consolidated 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 reissued consolidated 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 reissued consolidated financial statements.

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

Board Members

| | | |
|---------------------|------------------|---------------------|
| NG Symis | C.V. Vasilou | IP Ghalanos |
| AK Christofides | P.E. Antonades | M.G. Gregoriades |
| E.Z. Hadjizacharias | M.J. Halios | H.A. Kakoulis |
| P.G. Loizou | MP Michael | GP Savva |
| AM Gregoriades | PA Peletis | CA Kalas |
| AA Demetriou | G.V. Markides | C.N. Kallis |
| DS Vakis | MA Papacosta | M.Ch. Zavrou |
| AA Apostolou | KA Papanicolaou | P.S. Ela |
| SA Lozides | A.I. Siammoutsos | M.G. Lazarou |
| MA Lozides | GN Tzortzis | Z.E. Hadjizacharias |
| SG Sofocleous | HS Charalambous | |
| MM Antonades | CP Anayiotos | |

Limassol
 P.O.Box. 50161, 3601
 Telephone: +357 25 829000
 Telefax: +357 25 363842

Paphos
 P.O.Box. 60288, 8101
 Telephone: +357 26 943050
 Telefax: +357 26 943062

Larnaca
 P.O.Box. 40075, 6300
 Telephone: +357 24 200000
 Telefax: +357 24 200200

Paralimni/Ayia Napa
 P.O.Box. 33200, 5311
 Telephone: +357 23 820080
 Telefax: +357 23 820084

Polis Chrysochou
 P.O.Box. 66014, 8330
 Telephone: +357 26 322088
 Telefax: +357 26 322722



Basis for Qualified Opinion

We did not perform any audit procedures on the tax position of Gambier Development Corp. which is included in the reissued consolidated financial statements of the Group. Accordingly, we were unable to determine whether any adjustments might be necessary to deferred taxes, taxation expense, net profit and retained earnings as at and for the years ended 31 December 2007 and 2006.

We did not observe the counting of inventories stated at USD 50,571 thousand as at 31 December 2005 because we were engaged as auditors of the Group only after that date. It was impracticable to satisfy ourselves as to those inventory quantities by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to cost of revenues, taxation expense, and net profit as at and for the year ended 31 December 2006.

The Group conducts a significant amount of transactions in cash, which is common practice for the construction industry in Ukraine, but there is a lack of adequate supporting documents for many of these cash transactions. It was impracticable to extend our auditing procedures sufficiently in 2006 and 2007 to satisfy ourselves as to the appropriate justification for expenditures carried in the consolidated balance sheet as inventories amounting to USD 16,339 thousand (2006: USD 10,275 thousand), property development rights and costs amounting to USD 1,063 thousand (2006: nil), property, plant and equipment amounting to USD 2,839 thousand (2006: USD 2,892 thousand), and amounts receivable due from shareholders amounting to USD 2,939 thousand (2006: USD 3,850 thousand). In addition, we were unable to satisfy ourselves as to the fairness in the consolidated income statement of revenues amounting to USD 1,138 thousand (2006: USD 1,238 thousand) and expenditures under general and administrative expenses amounting to USD 1,089 thousand (2006: USD 1,360 thousand), cost of revenues amounting to USD nil (2006: USD 3,499 thousand), and finance expense amounting to USD nil (2006: USD 686 thousand).

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion, the reissued consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to the note 2 (f) to the reissued consolidated financial statements, which indicates and gives reasons for the revision of the previously issued consolidated financial statements as at and for the year ended 31 December 2007.


Chartered Accountants

Nicosia, 26 October 2010