TMM Real Estate Development plc
Consolidated Financial Statements

As at 31 December 2011 and
for the year then ended
with Independent Auditors' Report

CONTENT

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

Maarten van den Belt (appointed 11/04/2011)
Dominic Dreyfus (appointed 11/04/2011)
Nikoloz Enukidze (appointed 11/04/2011)
Eleni Chrysostomides (resigned 11/04/2011)
Georgia Chrysostomides (resigned 11/04/2011)
Anna Rossides (resigned 11/04/2011)
Mykola Tolmachov
Larysa Chyvurina

SECRETARY

Inter Jura CY (Services) Limited

INDEPENDENT AUDITORS

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
36 Byron Avenue
P.O. Box 21656
1511 Nicosia
Cyprus

BANKERS

Bank of Cyprus Public Company Ltd
JSC "UniCredit bank"
JSC "State savings bank of Ukriane"
PJSC "Bank Credit Agricole"
JSC "ING Bank Ukraine"

REGISTERED OFFICE

1, Lampousas Str.,
1095, Nicosia,
Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of TMM Real Estate Development Plc (the "Company") presents to the shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "the Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the construction and development of residential and business properties mainly in Kyiv, Kharkiv, Zhytomir and Crimean regions of Ukraine.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Board of Directors has assessed the risks set out in this report and believes that steps taken to mitigate the risks are sufficient to prevent their material adverse effect on the financial performance and financial position of the Group. Therefore: (i) the current financial position as presented in the consolidated financial statements is considered satisfactory; (ii) The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

FINANCIAL RESULTS AND DIVIDENDS

The Group's results for the year ended are set out on page 1.

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

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group are (i) real estate market risk in Ukraine, (ii) going concern uncertainty disclosed in note 3.

SHARE CAPITAL

On 7 March 2007, the Company issued 44,730,000 ordinary shares with a par value of USD 0.01 as a part of restructuring in exchange for shares in Company "T.M.M" Ltd.

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 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 Company "T.M.M" Ltd.

In January, February and May of 2011, the Company sold 594,449 of its repurchased ordinary shares for the total cash consideration of USD 663 thousand.

As a result of these transactions, as at 31 December 2011 the Company's issued and paid-in share capital comprised of 51,348,268 ordinary shares with a par value of USD 0.01 each. As at 31 December 2011 the Company's total authorised share capital comprised 100,000,000 shares.

BRANCHES

During the year ended 31 December 2011 the Group did not operate any branches.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company as at 31 December 2011 and at the date of this report are shown on page (a). On 11 April 2011, Ms Eleni Chrysostomides, Ms Georgia Chrysostomides and Ms Anna Rossides resigned from their position as directors. On the same date, Mr. Maarten van den Belt, Mr. Dominic Dreyfus and Mr. Nikoloz Enukidze were appointed in their place.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

POST STATEMENT OF FINANCIAL POSITION EVENTS

Any significant events that occurred after the end of the year are described in note 38 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors, Ernst & Young Cyprus Limited, were appointed by the shareholders and have expressed their willingness to continue in office. A resolution proposing their re-appointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting.

By order of the Board of Directors,

Director	Mykola Tolmachov
Director	Larysa Chyvurina

Ernst & Young Cyprus Limited
Nicosia Tower Centre
36 Byron Avenue, P.O. Box 21656
1511 Nicosia, Cyprus

Tel: +357 2220 9999
Fax: +357 2220 9998/97/96
www.ey.com

INDEPENDENT AUDITORS' REPORT

To the Members of TMM Real Estate Development plc

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TMM Real Estate Development plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

By the means of our audit procedures we were unable to obtain sufficient audit evidence in respect of certain cash transactions carried prior to 1 January 2008. Since these transactions enter into the determination of the balances as of the reporting dates and results of operations for the years then ended, we were unable to satisfy ourselves as to the carrying amounts of property, plant and equipment of USD 1,657 thousand and USD 1,694 thousand as at 31 December 2011 and 2010, respectively, foreign currency translation reserve of USD 965 thousand and USD 967 thousand as at 31 December 2011 and 2010, respectively, cost of revenue of USD 35 thousand and USD 33 for the years ended 31 December 2011 and 2010, respectively. Our audit opinion on the consolidated financial statements for the year ended 31 December 2010 was qualified accordingly.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that the Group incurred a net loss of USD 19,489 thousand during the year ended 31 December 2011 and a net cash outflow from its operating activities of USD 5,219 thousand. Therefore the Group may be unable to generate sufficient cash inflows from its operating activities in order to repay its debt when it falls due. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Report on Other Legal Requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required, except as explained in the Basis for Qualified Opinion paragraph.
- In our opinion, the information given in the report of the Board of Directors on pages (b) - (c) is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

10 July 2012

CONSOLIDATED STATEMENT OF COMPEHENSIVE INCOME
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2011*	*2010*
Revenue	8	47,307	51,268
Cost of revenue	9	(41,504)	(39,728)
Gross profit		5,803	11,540
Change in fair value of investment properties	20	320	1,085
Other operating income	10	1,032	3,462
General and administrative expenses	11	(5,824)	(5,633)
Selling and distribution expenses	12	(611)	(694)
Other operating expenses	13	(5,445)	(4,792)
Operating (loss) / profit		(4,725)	4,968
Share in losses of associates	21	(3,128)	(51)
Finance income	14	80	332
Finance costs	15	(12,559)	(3,734)
Foreign exchange gain, net	16	1,237	2,300
(Loss) / profit before tax		(19,095)	3,815
Income tax (expense) / benefit	18	(394)	13,218
(Loss) / profit for the year		(19,489)	17,033
Other comprehensive (loss) / income			
Exchange differences on translation to presentation currency		(552)	1,738
Effect of the change in income tax rate	18	-	2,992
Share in revaluation of buildings of an associate	21	19	-
Revaluation of buildings	19	205	460
Income tax effect of revaluation	18	(48)	(115)
		157	345
Other comprehensive (loss) / income for the year, net of tax		(376)	5,075
Total comprehensive (loss) / income for the year, net of tax		(19,865)	22,108
Loss attributable to:			
Equity holders of the parent		(19,459)	17,029
Non-controlling interest		(30)	4
		(19,489)	17,033
Total comprehensive loss attributable to:			
Equity holders of the parent		(19,849)	22,000
Non-controlling interest		(16)	108
		(19,865)	22,108
Weighted average basic and diluted number of shares (in thousands of shares)	28	51,263	50,754
Basic and diluted earnings per share (in US dollars)		(0.38)	0.34

The accompanying notes form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	19	93,322	94,933
Intangible assets		481	571
Investment properties	20	69,913	69,062
Investments in associates	21	1,523	4,641
Property development rights	22	35,824	35,747
		201,063	204,954
Current assets			
Inventories	23	157,431	142,655
Trade and other receivables	24	7,346	10,713
Prepayments	25	9,869	9,560
Prepaid income tax		13	19
Taxes recoverable, other than income tax	26	875	2,654
Cash and cash equivalents	27	475	3,693
		176,009	169,294
TOTAL ASSETS		377,072	374,248
EQUITY AND LIABILITIES			
Equity			
Share capital	28	513	508
Share premium	28	99,227	98,569
Additional paid-in capital	28	2,592	2,592
Revaluation reserve	28	63,219	63,198
Retained earnings		80,264	99,582
Translation reserve	28	(87,305)	(86,753)
Equity attributable to equity holders of the parent		158,510	177,696
Non-controlling interests		502	518
Total equity		159,012	178,214
Non-current liabilities			
Interest-bearing loans and borrowings	29	100,043	108,312
Finance lease liability	35	475	1,858
Deferred tax liability	18	15,349	14,977
		115,867	125,147
Current liabilities			
Trade and other payables	30	25,383	7,768
Interest-bearing loans and borrowings	29	30,968	11,092
Finance lease liability	35	5,782	6,671
Advances received	31	36,927	40,141
Taxes payable, other than income tax	32	1,653	1,042
Provisions	33	1,480	4,169
Income tax payable		-	4
		102,193	70,887
TOTAL LIABILITIES		218,060	196,034
TOTAL EQUITY AND LIABILITIES		377,072	374,248

Signed and authorised for release on behalf of TMM Real Estate Development plc on 10 July 2012:

Director — Mykola Tolmachov

Director — Larysa Chyvurina

The accompanying notes form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the parent								
	Share capital	*Share premium*	*Additional paid-in capital*	*Revaluation reserve*	*Retained earnings*	*Translation reserve*	*Total*	*Non-controlling interest*	*Total equity*
Balance at 1 January 2010	508	98,569	2,592	60,151	82,366	(88,490)	155,696	410	156,106
Profit for the year	-	-	-	-	17,029	-	17,029	4	17,033
Other comprehensive income	-	-	-	3,234	-	1,737	4,971	104	5,075
Total comprehensive income for the year	-	-	-	3,234	17,029	1,737	22,000	108	22,108
Transfer of revaluation reserve, net of taxes	-	-	-	(187)	187	-	-	-	-
Balance at 31 December 2010	508	98,569	2,592	63,198	99,582	(86,753)	177,696	518	178,214
Loss for the year	-	-	-	-	(19,459)	-	(19,459)	(30)	(19,489)
Other comprehensive loss	-	-	-	162	-	(552)	(390)	14	(376)
Total comprehensive loss for the year	-	-	-	162	(19,459)	(552)	(19,849)	(16)	(19,865)
Transfer of revaluation reserve, net of taxes	-	-	-	(141)	141	-	-	-	-
Sale of treasury shares (Note 28)	5	658	-	-	-	-	663	-	663
Balance at 31 December 2011	513	99,227	2,592	63,219	80,264	(87,305)	158,510	502	159,012

The accompanying notes form an integral part of the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

	Notes	*2011*	*2010*
Operating activities			
(Loss) / profit before tax		(19,095)	3,815
Non-cash adjustments to reconcile (loss) / profit before tax to net cash flows			
Revaluation of investment properties	20	(320)	(1,085)
Depreciation and amortisation		2,388	2,215
Impairment of investments	13	441	-
Reversal of impairment of property, plant and equipment	10, 19	-	(2,779)
Impairment of property development rights	13, 22	-	1,214
(Gain) / loss on revaluation of freehold buildings reported in profit or loss	10, 19	(139)	222
Loss / (gain) on disposal of property, plant and equipment and investment properties	13	769	(170)
Gain on extinguishment of liabilities	10	(379)	(82)
Share in losses of associates	21	3,128	51
Finance income	14	(80)	(332)
Finance costs	15	12,559	3,734
Unrealised foreign exchange (gain) / loss		(1,112)	(1,064)
		(1,840)	5,739
Working capital adjustments			
Change in inventories		(10,750)	(5,804)
Change in trade and other receivables		2,902	(5,283)
Change in prepayments		(343)	338
Change in taxes recoverable, other than income tax		1,775	2,962
Change in trade and other payables and provisions		14,153	698
Change in advances received		(3,083)	(13,843)
Change in taxes payable, other than income tax		621	(146)
		3,435	(15,339)
Interest received		80	332
Interest paid		(8,735)	(8,941)
Income taxes paid		(3)	(12)
Net cash flows used in operating activities		(5,223)	(23,960)
Investing activities			
Proceeds from sale of property, plant and equipment and investment properties		1,092	2,121
Purchase of property, plant and equipment and investment properties		(3,784)	(2,670)
Purchase of intangible assets		(29)	(102)
Purchase of property development rights		(77)	(1,010)
Net cash flows used in investing activities		(2,798)	(1,661)
Financing activities			
Proceeds from loans		6,934	32,289
Repayment of loans		(1,836)	(1,525)
Repayment of finance lease liabilities		(954)	(2,790)
Sale of treasury shares	28	663	-
Net cash flows from financing activities		4,807	27,974
Net (decrease) / increase in cash and cash equivalents		(3,214)	2,353
Net foreign exchange difference		(4)	(4)
Cash and cash equivalents at 1 January		3,693	1,344
Cash and cash equivalents at 31 December		475	3,693

The accompanying notes form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

1. Corporate information

These consolidated financial statements are prepared by TMM Real Estate Development plc (hereinafter referred to as the "Company"), a Cyprus public company incorporated in Nicosia, Cyprus on 30 November 2006 under Cyprus Companies Law, Cap. 113. The address of the Company's registered office is 1, Lampousas Str., 1095, Nicosia, Cyprus and its principal place of business is 49 A Vladimirskaya street, Kyiv, Ukraine 01034.

The Company is a subsidiary of TMM Holdings Ltd, which is also incorporated in Cyprus.

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

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the construction and development of residential and business properties in Ukraine (mainly Kyiv, Kharkiv, Zhytomir and Crimea).

The list of the subsidiaries and associates and the Company's effective ownership interest as at 31 December is disclosed below.

Name	*Principal activities*	*2011*	*2010*
Subsidiaries:			
Company "T.M.M" Ltd	Construction and development	100.0%	100.0%
"Geravit" Ltd	Development project	100.0%	100.0%
LLC "Palladiy"	Development project	100.0%	100.0%
LLC "TAVRIDA-PLAZA"	Development project	100.0%	100.0%
LLC "Stimul LTD +"	Development project	100.0%	100.0%
PE "Budinvestservice 2004"	Development project	100.0%	100.0%
PE "GREENBUD"	Development project	100.0%	100.0%
PJSC "Company "Viktor"	Development project	100.0%	100.0%
LLC "Kirovograd Plant of Construction Ceramics"	Production of construction materials	99.9%	99.9%
Ltd "TMM PALLADA"	Development project	99.0%	99.0%
LLC "Economsystema"	Development project	99.0%	99.0%
LLC "Specialist"	Development project	98.0%	98.0%
JSC "Ukrcukorteploizolyaciya"	Production of construction materials	98.0%	98.0%
Ltd "TMM - VIKNA"	Production of construction materials	91.0%	91.0%
LLC "TMM - Budkomplekt"	Production of construction materials	90.0%	90.0%
LLC "B2B"	Development project	85.0%	85.0%
LLC "ADEPT-2004"	Development project	70.0%	70.0%
Ltd "TMM-Energo"	Development project	60.0%	60.0%
Associates:			
PJSC "TMM - Energobud"	Production of power facilities	50.0%	50.0%
LLC "Ukr-bud-service"	Development project	50.0%	50.0%
LLC "Utilservice"	Development project	50.0%	50.0%

All subsidiaries and associates are incorporated in Ukraine.

The Group is ultimately controlled by Mr. Mykola Tolmachov.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

2. Operating environment, risks and economic conditions

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, instability in the capital markets, a significant deterioration in the liquidity of the banking sector, and tighter credit conditions within Ukraine. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the banking sector and providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding access to capital and its cost for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, any unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Real estate market risk in Ukraine

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. The market prices stabilised in 2010-2011, however, it is not expected that a significant improvement in market conditions will emerge for the foreseeable future given the lack of availability of mortgage and development finance and weak consumption power in the market.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable. Please refer to Note 3 "Going concern" for further details.

3. Basis of preparation

The consolidated financial statements of the Company and all its subsidiaries (the Group) have been prepared on a historical cost basis, except for the following:

- investment property are stated at fair value as determined by independent appraisal;
- freehold buildings are stated at fair values as measured by independent appraisal less accumulated depreciation and impairment losses.

The consolidated financial statements are presented in US dollars and all values are rounded off to the nearest thousand except when otherwise indicated.

Normal operating cycle of the Group's property development segment approximates to 36 months; normal operating cycle of the Group's investment property segment equals to 12 months and classified accordingly.

Interest-bearing loans and borrowings and finance lease liability are not part of the working capital used in the Group's normal operating cycle. Interest-bearing loans and borrowings and finance lease liability are classified as current when are due to be settled within twelve months after the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

3. Basis of preparation *(continued)*

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

Going concern

During the year ended 31 December 2011 the Group reported a net loss of USD 19,489 thousand (2010: net profit of USD 17,033 thousand) and a net cash outflow from its operating activities of USD 5,219 thousand (2010: USD 23,960 thousand). The deterioration in financial results is mainly caused by weakened demand for residential and commercial property in Ukraine. The decline in market liquidity may affect the Group's ability to generate cash flows from operating activities sufficient to repay its debt when it falls due.

The Group needs to repay USD 30,968 thousand of interest-bearing loans and borrowings which fall due in 2012. The Group commenced negotiation with one of the lenders seeking to extend repayment of USD 20,772 thousand of debt due in 2012. As of the date of authorisation of these consolidated financial statements the results of these negotiations are uncertain. As of 31 December 2011 the Group has an un-drawn borrowing facility of USD 59,923 thousand, of which USD 27,050 thousand is available in 2012. The remainder of the facility is conditional upon fulfilment of the Group's construction plan. Due to turbulence in the financial markets and increased requirements from lenders, alternative sources of finance may not be available.

The Group's financial plan for 2012 anticipates growth in cash inflows from property sales as compared to 2011. To sustain the increase in cash inflow from its operations in 2012 the Group plans the following:

- launched of an advertising campaign seeking to attract new customers;
- teamed with a Ukrainian bank to provide a mortgage financing program which is available for the Group's buyers who purchase property still under development;
- to sell completed property with a cost of USD 55,088 thousand which is already completed and property under development which is expected to cost USD 78,813 thousand which may be sold to buyers on a pre-payment basis.

Should the Group fail to achieve the planned cash inflows from property sales the resulting deficit may be partially compensated by suspension of certain construction projects in 2012.

The Group's ability to continue its operations on a going concern basis depends on (i) its ability to extend the payment terms of its interest-bearing loan which falls due in 2012, and (ii) generation of sufficient cash flows from its operating activities.

The actual outcome of the debt restructuring negotiations and the success of the management plan to ensure planned growth in cash inflows from property sales are uncertain. These conditions represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

3. Basis of preparation *(continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

4. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except as following new and amended IFRSs and IFRIC interpretations adopted as at 1 January 2011:

- *IAS 24 Related Party Disclosures (amendment) effective 1 January 2011*
- *IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010*
- *IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011*
- *Improvements to IFRSs (May 2010)*

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Disclosures (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011
(in thousands of US dollars, unless otherwise indicated)

4. Changes in accounting policy and disclosures *(continued)*

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- *IFRS 3 Business Combinations:* The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- *IAS 1 Presentation of Financial Statements:* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IFRS 7 Financial Instruments – Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements
- IFRS 1 First-time adoption

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

Judgments other than estimates

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

More specifically, the following criteria are considered:

- the number of items of land and buildings owned by the subsidiary
- the extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises buildings (principally offices, commercial warehouse and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Operating lease contracts – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

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5. Significant accounting judgments, estimates and assumptions *(continued)*

Estimates

Estimation of net realisable value for inventory

Inventory is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

Allowance for doubtful accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Valuations of freehold buildings and investment properties

Freehold buildings and investment properties are stated at fair value as at the statement of financial position date. The fair value of freehold buildings is determined by independent real estate valuation experts using both the cost and the market approach; the fair value of investment properties is determined by independent real estate valuation experts using the market approach. The market approach is based upon an analysis of the comparable market quotes of similar properties. Besides, in arriving at their estimates of market values as at 31 December 2011, the valuers have also used their market knowledge and professional judgement.

Starting from the last quarter of 2008, Ukrainian property market has suffered a significant fall in demand following the country's macroeconomic turmoil. The significant reduction in transaction volumes continued this year. Accordingly, weak liquidity and the poor conditions prevailing in the Ukrainian property market may impose objective limitation on the indicativeness of the market quotes used as source data for valuation as at 31 December 2011.

The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of freehold buildings and investment properties in the short-term.

Impairment of non-current assets

As of 31 December 2011 the Group's non-current assets recoverable amount was determined based on fair value less costs to sell. The fair value less costs to sell of the Group's non-current assets was identified based upon an analysis of the comparable market quotes of similar properties adjusted for any difference in the nature, location or condition of the specific property.

Whilst management believes that determined recoverable amounts of non-current assets reflect their market value, weak liquidity and the poor conditions prevailing in the Ukrainian property market, may impose objective limitation on the indicativeness of the market quotes used as source data for valuation as at 31 December 2011.

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5. Significant accounting judgments, estimates and assumptions *(continued)*

Taxes

Current taxes

Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As at 31 December 2011 the management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. More details are provided in Note 35.

Deferred tax assets recoverability

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and estimates are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

6. Summary of significant accounting policies

Business combinations

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Where property is acquired through the acquisition of legal entity, management is considering the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

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6. Summary of significant accounting policies *(continued)*

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise corporate acquisitions are accounted for as business combinations.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Investments in associates

The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of associates. Goodwill relating to associates is included in the carrying amount of the investments and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the share of the results of operations of associates. Where there has been a change recognised directly in the equity of associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in associates.

The share of profit of associates is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of associates and therefore is profit after tax and non-controlling interest in the subsidiaries of associates.

The financial statements of associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of associates and their carrying value and recognises the amount in profit or loss for the period.

Upon loss of significant influence over associates, the Group measures and recognises any retaining investments at their fair value. Any difference between the carrying amount of associates upon loss of significant influence and the fair value of the retaining investments and proceeds from disposal is recognised in profit or loss.

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6. Summary of significant accounting policies *(continued)*

Functional and presentation currencies

The Group's presentation currency is the US dollar ("USD"). The functional currency of the Company and its subsidiaries is the Ukrainian hryvnia ("UAH") as it reflects the economic substance of the underlying events and circumstances of their operations.

At each reporting date, the assets and liabilities of each company are translated into the Group's presentation currency at the rate of exchange at the statement of financial position date. The revenues and expenses for the year or, if shorter, the period of each company participation in the Group are translated at the foreign exchange rates which approximate the date of transaction.

The difference arising on retranslation from each of the companies' functional currencies into the Group's presentation currency is shown as a currency translation difference in other comprehensive income. The translation of the UAH denominated assets and liabilities into USD as at 31 December 2011 does not indicate that the Group could realize or settle the translated values of those assets and liabilities in USD.

Foreign currency translation

Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional-currency rate of exchange in effect at the statement of financial position date. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in profit or loss for the period.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, short-term deposits and trade and other receivables.

The Group has not designated any financial assets at fair value through profit or loss, as held-to-maturity or available-for-sale during the year ended 31 December 2011.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. Change in allowance for doubtful debts is recognized within other operating expenses.

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6. Summary of significant accounting policies *(continued)*

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include interest-bearing loans and borrowings, obligations under finance leases and trade and other payables.

Subsequent measurement of loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

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6. Summary of significant accounting policies *(continued)*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Property, plant and equipment

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of comprehensive income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of plant and equipment.

Freehold buildings

Freehold buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss for the period, in which case the increase is recognised in profit or loss for the period. A revaluation deficit is recognised in profit or loss for the period, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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6. Summary of significant accounting policies *(continued)*

Freehold land

For the purpose of further constructions of owner-occupied premises the Group acquired certain land plots in the Kyiv region. Freehold land is measured at cost less impairment losses. 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 consolidated financial statements.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Construction in progress includes cost of construction works, cost of engineering works, other direct costs and an appropriate proportion of production overheads. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the asset, as follows:

▸ Freehold buildings	50 years
▸ Heavy construction equipment	20 years
▸ Production, construction and research equipment	8 years
▸ Vehicles	6 years
▸ IT and computer equipment	4 years
▸ Furniture and office equipment	4 years

The useful life of an asset is defined in terms of the asset's expected utility to the Group.

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets, other than goodwill, primarily comprise computer software, which are amortised on a straight-line basis over the estimated useful life of five years.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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6. Summary of significant accounting policies *(continued)*

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property are recognised in profit or loss in the period of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property development rights

Property development rights represent the rights owned by the Group to lease land plots to be used for further development. Property development rights are stated at cost, being expenses directly attributable to acquisition of such right, less provisions for impairment, where required. Property development rights are not depreciated. Upon starting of development, property development rights are transferred at cost to inventories.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The Group estimates an asset's recoverable amount based on determination of its fair value less cost to sell which is identified based upon an analysis of the comparable market quotes of similar properties adjusted for any difference in the nature, location or condition of the specific property.

Impairment losses of continuing operations are recognised in profit or loss for the period in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss for the period unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

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6. Summary of significant accounting policies *(continued)*

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.

Raw materials

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

Completed and under development inventory property

Completed and under development inventory property is property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation Completed and under development inventory property are stated at cost based on the individual cost method.

Cost includes:

- freehold and leasehold rights for land;
- planning and design costs, costs of site preparation;
- cost of raw materials;
- labour costs and amounts paid to subcontractors for construction;
- construction overheads allocated proportionately to the stage of completion of the inventory based on normal operating capacity;
- borrowing costs.

The cost of completed and under development inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on inventories sold and an allocation of any non-specific costs based on the relative size of the property sold.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

Share capital

The Company's share capital is stated at the nominal amount of the issued shares. The difference between the fair value of the consideration received and the nominal value of the share capital being issued is taken to the share premium account.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in share premium.

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6. Summary of significant accounting policies *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement 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 profit or loss.

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.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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6. Summary of significant accounting policies *(continued)*

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of completed inventory property and other goods

Revenues from the sale of completed inventory property are recognized in profit or loss for the period when three conditions are met: a binding agreement is present, the construction is complete and approved by the state commissioner.

Revenue from the sale of other goods is recognised when the significant risks and rewards of ownership over the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from the rendering of services is recognised when services are rendered. Revenue from provision of utility services under arrangements where the Group acts as an agent is recognised on a net basis.

Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in profit or loss for the period when they arise.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

Cost of revenue

Cost of revenue is recognised simultaneously with respective revenue.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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6. Summary of significant accounting policies *(continued)*

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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6. Summary of significant accounting policies *(continued)*

Value-added tax

Revenues, expenses and assets are recognised net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed in the face of the consolidated statement of financial position.

Events after the statement of financial position date

Events after the statement of financial position date that provide additional information on the Group's position at the statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Events after the statement of financial position date that are not adjusting events are disclosed in the notes when material.

Change in presentation of comparative information

Certain reclassifications have been made to the 2010 amounts for consistency of presentation with the 2011 amounts.

7. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income taxes – Recovery of Revalued Non-Depreciable Assets into IAS 12 for Non-Depreciable Assets measured using the revaluation model in IAS 16. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

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7. Standards issued but not yet effective *(continued)*

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12 IAS 28 has been renamed *IAS 28 Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 and IFRS 7: Offsetting of Financial Instruments (Amendment)

The recently issued amendments to IAS 32 and IFRS 7 on offsetting of financial instruments are intended to clarify existing application issues relating to the offsetting rules, reduce the level of diversity in current practice and to overcome the differences in the offsetting requirements under IFRS and US GAAP. The clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Both require retrospective application for comparative periods.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted.

The amendment becomes effective for annual periods beginning on or after 1 January 2013.

The new interpretation will not have any impact on the financial position or performance of the Group.

IFRS 1 Government loans (Amended)

In May 2008 the IASB amended IAS 20, as part of the Annual Improvement Project, in order to require government loans with a below market rate of interest to be measured at fair value on initial recognition. The IASB decided that this requirement will have to be applied prospectively to new loans.

The amendment becomes effective for annual periods beginning on or after 1 January 2013. This amendment does not have any impact on the Group since it did not obtain any government loans.

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7. Standards issued but not yet effective *(continued)*

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will not impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The objective of the new disclosure requirements is to help the users of financial statements understand (a) the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and (b) the nature of, and the risks associated with, the entity's interest in other entities. IFRS 12 will be applied retrospectively in accordance with requirements of IAS 8 Accounting policies, changes in Accounting estimates and Errors for changes in accounting policy with comparative disclosures required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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7. Standards issued but not yet effective *(continued)*

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements 2009-2011

In May 2012, the IASB issued the Annual Improvements to IFRSs 2009 - 2011 Cycle amendments. The amendments contain necessary, but non-urgent, changes to five IFRS standards (excluding consequential amendments). The amendments are effective beginning 1 January 2013 and are applied retrospectively. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

8. Revenue

Revenue for the years ended 31 December comprised:

	2011	*2010*
Sales of completed inventory property	35,608	39,396
Utility services income	3,671	3,267
Rental income from investment properties	3,270	3,096
Other construction services revenue	1,813	3,453
Other services	2,945	2,056
	47,307	51,268

Other services mainly comprised transportation, engineering and design services rendered to third parties. All revenue is generated from sales to customers in Ukraine.

9. Cost of revenue

Cost of revenue for the years ended 31 December comprised:

	2011	*2010*
Cost of completed inventory property sold	32,557	30,957
Utility services cost	4,488	3,953
Other construction services cost	1,659	2,829
Other services	2,800	1,989
	41,504	39,728

Borrowing costs included in cost of completed inventory property sold for the year ended 31 December 2011 amounted to USD 3,596 thousand (2010: USD 3,346 thousand).

Depreciation included in cost of revenue for the year ended 31 December 2011 amounted to USD 1,312 thousand (2010: USD 1,015 thousand).

Wages and salaries and social security taxes included in cost of revenue for year ended 31 December 2011 amounted to USD 3,690 thousand and USD 1,365 thousand, respectively (2010: USD 5,341 thousand and USD 1,975 thousand, respectively).

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10. Other operating income

Other operating income for the years ended 31 December comprised:

	2011	*2010*
Release of allowance for doubtful debts (Notes 24 and 25)	423	-
Gain on extinguishment of liabilities	379	82
Gain on revaluation of freehold buildings (Note 19)	139	-
Gain on sale of sundry goods and services	70	65
Reversal of impairment of property, plant and equipment	-	2,779
Gain on disposal of property, plant and equipment and investment properties, net	-	170
Other	21	366
	1,032	3,462

11. General and administrative expenses

General and administrative expenses for the years ended 31 December comprised:

	2011	*2010*
Wages and salaries	1,417	1,267
Professional services	1,320	773
Depreciation and amortization	1,073	1,160
Social security taxes	417	397
Auditor's remuneration in relation to statutory audit	155	229
Taxes, other than income tax	249	283
Insurance premium	173	139
Communication costs	161	204
Materials	133	120
Bank charges	53	44
Other	673	1,017
	5,824	5,633

12. Selling and distribution expenses

Selling and distribution expenses for the years ended 31 December comprised:

	2011	*2010*
Advertising	321	390
Wages and salaries	173	138
Social security taxes	59	48
Transportation costs	10	19
Other	48	99
	611	694

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13. Other operating expenses

Other operating expenses for the years ended 31 December comprised:

	2011	*2010*
Inventory shortages and damages (Note 23)	1,377	-
Post-construction costs on sold inventory property	1,308	-
Fines and penalties	942	305
Loss on disposal of property, plant and equipment and investment properties, net	769	-
Impairment of investments	441	-
Change in allowance of doubtful debts (Notes 24 and 25)	-	2,459
Impairment of property development rights (Note 22)	-	1,214
Loss on revaluation of freehold buildings (Note 19)	-	222
Charity and donations	25	-
Other	583	592
	5,445	4,792

14. Finance income

Finance income for the years ended 31 December comprised:

	2011	*2010*
Interest income	63	332
Other finance income	17	-
	80	332

15. Finance costs

Finance costs for the years ended 31 December comprised:

	2011	*2010*
Interest costs and finance lease charges	12,471	3,618
Other finance costs	88	116
	12,559	3,734

16. Foreign exchange gain, net

Foreign exchange gain, net for the years ended 31 December comprised:

	2011	*2010*
Foreign exchange gains	16,179	17,004
Foreign exchange losses	(14,942)	(14,704)
	1,237	2,300

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17. Operating segment information

Identification of reportable segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

- Investment property segment – leases residential and commercial property owned by the Group;
- Property development segment - builds and sells residential and commercial property.

No operating segments have been aggregated to form the above reportable operating segments.

All other non-reportable segments include the Group's operations related to other construction and utility services and other operations.

An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result, where segment result is determined as gross profit plus change in fair value of investment properties, (charge) / reversal of impairment of freehold land, heavy construction equipment and production, construction and research equipment, (charge) / reversal of property development rights, selling and distribution expenses and share in losses of associates.

As at 31 December and for the year then ended the Group's segmental information was as follows:

Year ended 31 December 2011	*Investment property*	*Property development*	*Other non-reportable*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Revenue						
External customers	3,270	35,608	8,269	47,147	160	47,307
Inter-segment			683	683	(683)	-
Total revenue	3,270	35,608	8,952	47,830	(523)	47,307
Results						
Depreciation	-	1,312	-	1,312	-	1,312
Change in fair value of investment properties	320	-	-	320	-	320
Selling and distribution expenses	(47)	(564)	-	(611)	-	(611)
Share in losses of associates	-	-	(3,128)	(3,128)	-	(3,128)
Segment results	3,543	2,487	(3,611)	2,419	(21,514)	(19,095)
Segment assets	69,913	231,447	2,550	303,910	73,162	377,072
Segment liabilities	-	38,947	2,483	41,430	176,630	218,060
Other disclosures						
Capital expenditure	289	1,382	-	1,671	2,190	3,861

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17. Operating segment information *(continued)*

Year ended 31 December 2010	*Investment property*	*Property development*	*Other non-reportable*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Revenue						
External customers	2,968	39,396	8,658	51,022	246	51,268
Inter-segment	-	-	845	845	(845)	-
Total revenue	2,968	39,396	9,503	51,867	(599)	51,268
Results						
Depreciation	-	1,015	-	1,015	-	1,015
Change in fair value of investment properties	1,085	-	-	1,085	-	1,085
Reversal of impairment of property, plant and equipment	-	2,779	-	2,779	-	2,779
Impairment of property development rights	-	(1,214)	-	(1,214)	-	(1,214)
Selling and distribution expenses	(99)	(595)	-	(694)	-	(694)
Share in losses of associates	-	-	(51)	(51)	-	(51)
Segment results	3,954	7,875	1,630	13,459	(9,644)	3,815
Segment assets	69,062	220,784	6,944	296,790	77,458	374,248
Segment liabilities	-	44,999	4,142	49,141	146,893	196,034
Other disclosures						
Capital expenditure	86	68	-	154	2,516	2,670

External customer's revenues are adjusted for differences in the period of recognition.

Inter-segment revenues are eliminated on consolidation.

Capital expenditure consists of additions to property plant and equipment, investment properties and property development rights. Capital expenditure not reportable to the board on a segment basis comprises additions to freehold buildings, vehicles, office and computer equipment and construction in progress.

Reconciliation of profit

	2011	*2010*
Segment results	2,419	13,459
General and administrative expenses	(5,824)	(5,633)
Other operating expenses	(5,445)	(3,578)
Other operating income	1,032	683
Finance income	80	332
Finance costs	(12,559)	(3,734)
Foreign exchange gain	1,237	2,300
Inter-segment sales (eliminations)	(35)	(14)
Consolidated (loss) / profit before tax	(19,095)	3,815

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17. Operating segment information *(continued)*

Reconciliation of assets

	2011	*2010*
Segment assets	303,910	296,790
Property, plant and equipment	65,322	66,155
Trade and other receivables	7,346	10,713
Intangible assets	481	571
Prepaid income tax	13	19
Consolidated assets	377,072	374,248

Reconciliation of liabilities

	2011	*2010*
Segment liabilities	41,430	49,141
Interest bearing loans and borrowings	131,011	119,404
Deferred tax liability	15,349	14,977
Finance lease liability	6,257	8,529
Provisions	1,480	221
Other payables	20,880	2,716
Taxes payable, other than income tax	1,653	1,042
Income tax payable	-	4
Consolidated liabilities	218,060	196,034

Other operating income, general and administrative expenses, other operating expenses, finance income, finance costs and foreign exchange gain, net are not allocated to individual segments as they are managed on a group basis.

Property, plant and equipment, intangible assets, trade and other receivables, prepaid income tax are not allocated to individual segments as they are managed on a group basis. Property, plant and equipment not reportable to the board on a segment basis comprise freehold buildings, vehicles, office and computer equipment and construction in progress.

Deferred tax liabilities, provisions, other payables (including payables for goods for resale), taxes payable, finance lease liability and interest bearing loans and borrowings are not allocated to individual segments as they are managed on a group basis.

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18. Income tax

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

Profit or loss

	2011	*2010*
Current income tax charge	5	11
Deferred tax relating to reversal and origination of temporary differences	389	(13,229)
Income tax expense / (benefit) reported in profit or loss	394	(13,218)

Other comprehensive income

	2011	*2010*
Deferred tax related to items charged or credited directly to other comprehensive income during the year:		
Effect of changes in income tax rate	-	(2,992)
Gain on revaluation of freehold buildings	48	115
Income tax expense / (benefit) charged directly to other comprehensive income	48	(2,877)

A reconciliation between the income tax benefit reported in the consolidated financial statements and the (loss) / profit before taxes multiplied by the applicable domestic tax rates for the years ended 31 December 2011 and 2010 is as follows:

	2011	*2010*
Accounting (loss) / profit before tax	(19,095)	3,815
At the Company's statutory income tax rate of 10.0%	(1,910)	382
Effect of the change in tax base for property, plant and equipment	-	(8,138)
Effect of the change in income tax rate	-	(8,375)
Change in estimates in respect of timing of reversal of temporary differences	3,060	-
Tax effect of expenses non-deductible in determining taxable profits	1,822	2,341
Effect of higher tax rates in Ukraine	(2,578)	572
Income tax expense / (benefit) reported in profit or loss	394	(13,218)

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its entities (in Ukraine and Cyprus). In 2011 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 25% in the first quarter and 23% in the last three quarters (2010: 25%).

In December 2010, the Ukrainian Parliament adopted a new Tax Code, which became effective on 1 January 2011. According to the new Tax Code, a tax rate of 23% shall be applied starting from 1 April 2011, 21% – from 1 January 2012, 19% – from 1 January 2013 and 16% – from 1 January 2014. When estimating deferred taxes as at 31 December 2010, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.

In 2011 Cyprus income tax rate was 10% (2010: 10%). A 10% Defence Fund contribution is also levied on interest income received from sources either in Cyprus or abroad whenever such income is earned from passive activities (15% as of 31 August 2011). There is no withholding tax on payments of dividends by the Company to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividend to shareholders who are individuals resident in Cyprus were subject to a 15% withholding tax (17% as of 31 August 2011 and 20% as of 1 January 2012).

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18. Income tax *(continued)*

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

Deferred tax assets and liabilities relate to the following items in 2011:

	31 December 2011	*Charged to profit or loss*	*Charged to other compre-hensive income*	*Foreign currency translation*	*31 December 2010*
Tax effect of taxable temporary differences:					
Property, plant and equipment and investment properties (i)	(12,189)	(36)	(48)	44	(12,149)
Inventories (ii)	(9,826)	7,164	-	60	(17,050)
Prepayments made (iii)	(900)	118	-	4	(1,022)
Interest-bearing loans and borrowings (v)	(23)	3	-	-	(26)
Gross deferred tax liabilities	(22,938)	7,249	(48)	108	(30,247)
Less: Offsetting with deferred tax assets	7,589				15,270
Recognised deferred tax liabilities	(15,349)				(14,977)
Tax effect of deductible temporary differences:					
Prepayments received (iii)	845	(3,753)	-	(17)	4,615
Investments (iv)	206	(1,813)	-	(7)	2,026
Inventories (ii)	3,367	(898)	-	(13)	4,278
Trade and other receivables (vi)	388	(166)	-	8	546
Interest-bearing loans and borrowings (v)	1,959	(440)	-	(9)	2,408
Property, plant and equipment and investment properties (i)	128	28	-	(1)	101
Trade and other payables (vii)	696	(596)	-	(4)	1,296
	7,589	(7,638)	-	(43)	15,270
Less: Offsetting with deferred tax liabilities	(7,589)				(15,270)
Net deferred tax liability	(15,349)	(389)	(48)	65	(14,977)

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18. Income tax *(continued)*

Deferred tax assets and liabilities relate to the following items in 2010:

	31 December 2010	Charged to profit or loss	Charged to other compre-hensive income	Foreign currency translation	31 December 2009
Tax effect of taxable temporary differences:					
Property, plant and equipment and investment properties (i)	(12,149)	9,899	2,877	(115)	(24,810)
Inventories (ii)	(17,050)	(478)	-	(46)	(16,526)
Prepayments made (iii)	(1,022)	569	-	(6)	(1,585)
Interest-bearing loans and borrowings (v)	(26)	-	-	-	(26)
Gross deferred tax liabilities	(30,247)	9,990	2,877	(167)	(42,947)
Less: Offsetting with deferred tax assets	15,270				12,008
Recognised deferred tax liabilities	(14,977)				(30,939)
Tax effect of deductible temporary differences:					
Prepayments received (iii)	4,615	3,250	-	(6)	1,371
Investments (iv)	2,026	192	-	5	1,829
Inventories (ii)	4,278	2,692	-	(6)	1,592
Trade and other receivables (vi)	546	(1,085)	-	8	1,623
Interest-bearing loans and borrowings (v)	2,408	(41)	-	7	2,442
Property, plant and equipment and investment properties (i)	101	(1,758)	-	12	1,847
Trade and other payables (vii)	1,296	(11)	-	3	1,304
	15,270	3,239	-	23	12,008
Less: Offsetting with deferred tax liabilities	(15,270)				(12,008)
Net deferred tax liability	(14,977)	13,229	2,877	(144)	(30,939)

The nature of the temporary differences is as follows:

(i) Property, plant and equipment and investment properties – differences in depreciation patterns and estimates of the remaining useful lives, differences in capitalisation principles, different cost basis (fair value, revalued cost and fair value at acquisitions vs. historical cost);

(ii) Inventories - differences in inventories valuation models and the periods of recognition, including capitalisation of borrowing costs, wages and salaries and depreciation ;

(iii) Prepayments made and received –difference in period of recognition and valuation principles;

(iv) Investments – differences in valuation, including impairment recognition;

(v) Interest-bearing loans and borrowings – differences in valuation and in the period of recognition, including recognition of finance lease liability;

(vi) Trade and other receivables – differences in valuation, including allowances for doubtful receivables, differences in the period of recognition.

(vii) Trade and other payables – differences in the period of recognition.

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19. Property, plant and equipment

	Freehold land	*Freehold buildings*	*Heavy construction equipment*	*Production, construction and research equipment*	*Vehicles*	*Office and computer equipment*	*Construction in progress*	*Total*
Cost or fair value:								
At 31 December 2010	21,312	45,434	7,530	4,265	2,914	1,942	18,582	101,979
Additions	-	5	-	1,300	122	97	1,971	3,495
Disposals	-	(766)	(1,370)	(42)	(98)	(155)	(26)	(2,457)
Transfers to investment property	-	-	-	-	-	-	(559)	(559)
Other Transfers	-	4,407	-	51	-	9	(4,467)	-
Revaluations	-	(591)	-	-	-	-	-	(591)
Translation difference	(75)	(165)	(23)	(19)	(11)	(7)	(52)	(352)
At 31 December 2011	21,237	48,324	6,137	5,555	2,927	1,886	15,449	101,515
Accumulated depreciation and impairment:								
At 31 December 2010	-	-	(1,780)	(2,549)	(1,406)	(1,311)	-	(7,046)
Depreciation charge for the year	-	(953)	(366)	(689)	(464)	(311)	-	(2,783)
Disposals	-	15	412	25	82	135	-	669
Revaluations	-	935	-	-	-	-	-	935
Translation difference	-	3	7	11	6	5	-	32
At 31 December 2011	-	-	(1,727)	(3,202)	(1,782)	(1,482)	-	(8,193)
Net book value								
At 31 December 2010	21,312	45,434	5,750	1,716	1,508	631	18,582	94,933
At 31 December 2011	21,237	48,324	4,410	2,353	1,145	404	15,449	93,322

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19. Property, plant and equipment *(continued)*

	Freehold land	*Freehold buildings*	*Heavy construction equipment*	*Production, construction and research equipment*	*Vehicles*	*Office and computer equipment*	*Construction in progress*	*Total*
Cost or fair value:								
At 31 December 2009	21,250	46,078	8,788	4,485	2,972	1,988	16,482	102,043
Additions	-	-	-	68	-	74	2,442	2,584
Disposals	-	(237)	(1,288)	(305)	(68)	(133)	(206)	(2,237)
Transfers	-	179	-	3	-	5	(187)	-
Revaluations	-	(716)	-	-	-	-	-	(716)
Translation difference	62	130	30	14	10	8	51	305
At 31 December 2010	21,312	45,434	7,530	4,265	2,914	1,942	18,582	101,979
Accumulated depreciation and impairment:								
At 31 December 2009	(1,794)	-	(1,733)	(2,009)	(968)	(1,019)	(967)	(8,490)
Depreciation charge for the year	-	(957)	(389)	(684)	(485)	(404)	-	(2,919)
Impairment reversal	1,806	-	-	-	-	-	973	2,779
Disposals	-	2	346	148	49	114	-	659
Revaluations	-	954	-	-	-	-	-	954
Translation difference	(12)	1	(4)	(4)	(2)	(2)	(6)	(29)
At 31 December 2010	-	-	(1,780)	(2,549)	(1,406)	(1,311)	-	(7,046)
Net book value								
At 31 December 2009	19,456	46,078	7,055	2,476	2,004	969	15,515	93,553
At 31 December 2010	21,312	45,434	5,750	1,716	1,508	631	18,582	94,933

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19. Property, plant and equipment *(continued)*

In 2010, the Group recognised reversal of impairment losses in respect of freehold land and construction in progress in the amount of USD 1,806 thousand and USD 973 thousand, respectively as a result of changes in the fair value less cost to sell. This has been recognised in the consolidated statement of comprehensive income in 'Other operating income'.

Fair value was determined based upon an analysis of the comparable market quotes of similar properties adjusted for any difference in the nature, location or condition of the specific property.

As at 31 December 2011 and 2010 freehold land comprised the land to be used for the construction of owner-occupied premises; freehold buildings included apartments, parking places and workshops used by the Group for own purposes.

As at 31 December 2011 construction in progress included workshops and offices under construction to be used by the Group for own purposes in the amount of USD 15,449 thousand (2010: USD 13,921 thousand).

Depreciation

The total depreciation charge for the years ended 31 December 2011 and 2010 was as follows:

	2011	*2010*
Inventories	1,822	1,842
General and administrative expenses	956	1,052
Other expenses	5	25
Total depreciation charge	2,783	2,919

Finance leases

The carrying value of heavy construction equipment held under finance leases at 31 December 2011 was USD 2,061 thousand (2010: USD 3,389 thousand). Leased assets under finance lease contracts are pledged as security for the related finance lease liabilities.

Pledged assets

As at 31 December 2011 freehold land and buildings with a carrying value of USD 57,252 thousand (2010: USD 55,571 thousand) were pledged as collateral for interest-bearing borrowings (Note 29).

Fully depreciated assets

Included in property, plant and equipment as at 31 December 2011 are equipment recorded at a cost of USD 1,425 thousand (2010: USD 861 thousand), which are fully depreciated but remain in use.

Revaluation of freehold buildings

The Group engaged an accredited independent valuer to determine the fair value of its freehold buildings. The method used to estimate fair value is combination of both the cost and the market approach. The market approach is based upon an analysis of the comparable market quotes of similar properties adjusted for any difference in the nature, location or condition of the specific property. The dates of the revaluation were 31 December 2011 and 2010.

Net revaluation result for the year ended 31 December 2011 was gain of USD 344 thousand of which USD 205 thousand of gain on revaluation was recognised in other comprehensive income, and USD 139 thousand of gain on revaluation was recognised in profit or loss.

Net revaluation result for the year ended 31 December 2010 was USD 238 thousand of which USD 460 thousand of gain on revaluation was recognised in other comprehensive income, and USD 222 thousand of loss on revaluation was recognised in profit or loss.

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20. Investment properties

	2011	*2010*
At 1 January	69,062	68,052
Additions	289	86
Transfers from property, plant and equipment	559	-
Disposals	(73)	(373)
Change in fair value of investment properties	320	1,085
Translation difference	(244)	212
At 31 December	69,913	69,062

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

Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer as at 31 December 2011 and 2010. Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market quotes, adjusted for any difference in the nature, location or condition of the specific property.

As at 31 December 2011 investment properties with a carrying value of USD 39,354 thousand (2010: USD 35,915 thousand) were pledged as collateral for interest-bearing borrowings (Note 29).

21. Investments in associates

Investments in associates consisted of the following as at 31 December:

Entity	*Activity*	*%*	*Carrying value*	*%*	*Carrying value*
		2011		*2010*	
CJSC TMM Energobud	Production of power facilities	50.0%	1,509	50.0%	4,627
Other minor associates			14		14
			1,523		4,641

The summarised financial information of CJSC TMM Energobud is follows:

	2011	*2010*
Total assets	89,913	64,805
Total liabilities	(86,896)	(55,524)
Revenue	18,326	9,028
Net loss	(6,257)	(122)

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21. Investments in associates *(continued)*

The reconciliation of carrying value of investment in CJSC TMM Energobud is as follows:

	2011	*2010*
Carrying value at 1 January	4,627	4,664
Share in revaluation of buildings of an associate	19	-
Share in losses in associates	(3,128)	(51)
Foreign currency translation	(9)	14
Carrying value at 31 December	1,509	4,627

On 31 December 2010, the Group publicly announced the decision of its Board of Directors to dispose of 50% ownership share in CJSC TMM Energobud and, accordingly, classified respective investment in an associate as an asset held for sale. In 2011, the Group has not finalised negotiations with a potential buyer and the sale of asset was not completed. Accordingly, the Group made reclassification of 2010 assets held for sale to investments in associates.

As at 31 December 2011 25,105 the Group's 50% ownership share in CJSC TMM Energobud at a nominal value of USD 6,284 thousand was pledged as collateral for interest-bearing borrowings (Note 29).

22. Property development rights

Property development rights as at 31 December were as follows (by projects):

Name of the *project*	*Location of the project*	*Type of the project*	*2011*	*2010*
Lisya bukhta	Crimea	Recreational	5,252	5,258
Arabatska strilka	Kherson	Recreational	3,994	4,008
Satellite Town	Kyiv	Residential	3,899	4,277
Palladium Centre	Kyiv	Commercial	2,734	2,743
Utilservice	Kyiv	Commercial	2,402	2,411
Moskovskyj	Kharkiv	Residential	2,279	2,287
Parkove	Yalta	Recreational	2,144	2,149
Tankova	Kyiv	Residential	1,705	1,249
Bereznevyj	Kyiv	Residential	1,479	1,461
Korchagintsiv	Kharkiv	Residential	1,388	1,392
Pivdenny	Kyiv	Residential	959	948
Uborevicha	Kyiv	Commercial	564	547
Tisa	Carpathians	Recreational	316	317
Parkova Chernomorsk	Crimea	Recreational	262	263
Dytyachoi Komuny	Zhytomyr	Residential	246	224
Lubyanka	Kyiv	Residential	150	150
Other	Various	Various	6,051	6,063
			35,824	35,747

In 2010, the Group recognised impairment charge in respect of "Satellite Town" project in the amount of USD 1,214 thousand (Note 13) based on the fair value less cost to sell which was determined based upon an analysis of the comparable market quotes of similar properties adjusted for any difference in the nature, location or condition of the specific property. This has been recognised in the consolidated statement of comprehensive income in the line item 'Other operating expenses'.

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23. Inventories

Inventories consisted of the following as at 31 December:

	2011	*2010*
Inventory property under development	78,813	56,939
Completed inventory property	55,088	74,598
Goods for resale	13,528	-
Raw materials	8,975	8,815
Other inventories	1,027	2,303
	157,431	142,655

The amount of write-down of inventories recognised as other operating expenses during 2011 is USD 1,377 thousand.

As at 31 December 2011 raw materials with a carrying value of USD 292 thousand (2010: USD 540 thousand) were pledged as collateral for interest-bearing borrowings (Note 29).

Inventory property under development

Inventory property under development as at 31 December was as follows (by projects):

Name of the project	*Location of the project*	*Type of the project*	*2011*	*2010*
Sonyachna brama	Kyiv	Residential	61,665	44,775
Green Town	Kharkiv	Residential	10,099	8,155
Laborotornyj provulok	Kyiv	Residential	5,690	2,481
Other	Various	Residential	1,359	1,528
			78,813	56,939

As at 31 December 2011 inventory property under development with a carrying value of USD 26,784 thousand (2010: USD 16,425 thousand) was pledged as collateral for interest-bearing borrowings (Note 29).

During 2011, borrowing costs of USD 4,180 thousand (2010: USD 12,653 thousand) were capitalised into inventory property under development.

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23. Inventories *(continued)*

Completed inventory property

Completed inventory property as at 31 December was as follows (by projects):

Name of the project	*Location of the project*	*Type of the project*	*2011*	*2010*
Sonyachna brama	Kyiv	Residential	28,152	44,338
Ultra	Kharkiv	Residential	16,036	14,293
Kaskad	Kharkiv	Residential	2,820	2,760
Edelweiss	Kharkiv	Residential	2,560	3,583
Triumph	Kyiv	Residential	1,596	1,933
Karat	Kharkiv	Residential	1,241	2,058
Aviator	Kyiv	Residential	1,187	3,797
Green Town	Kharkiv	Residential	675	618
Flamingo	Kharkiv	Residential	655	897
Chaadaeva 2	Kyiv	Residential	101	101
Atoll	Kharkiv	Residential	59	147
Demchenka	Kharkiv	Residential	-	64
Other	Various	Residential	6	9
			55,088	74,598

As at 31 December 2011 completed inventory property with a carrying value of USD 33,887 thousand (2010: USD 45,465 thousand) were pledged as collateral for interest-bearing borrowings (Note 29).

24. Trade and other receivables

Trade and other receivables consisted of the following as at 31 December:

	2011	*2010*
Trade receivables	6,092	9,278
Notes receivable	1,512	2,480
Other	4,614	4,608
	12,218	16,366
Less: Allowance for impairment	(4,872)	(5,653)
	7,346	10,713

Trade and other receivables are non-interest bearing and are repayable in the normal course of business.

As at 31 December 2011 trade receivables and notes receivable at initial value of USD 3,583 thousand and USD 1,289 thousand, respectively, (2010: USD 4,082 thousand and USD 1,571 thousand, respectively) were impaired and fully provided for.

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24. Trade and other receivables *(continued)*

Movements in the allowance for impairment of trade receivables and notes receivable were as follows:

	2011	*2010*
At 1 January	5,653	6,796
Charge for the year	424	2,536
Unused amounts reversed	(793)	(548)
Utilised	(393)	(3,163)
Translation difference	(19)	32
At 31 December	4,872	5,653

As at 31 December 2011 trade and other receivables past due 365 days, but not impaired equalled to USD 1,180 thousand (2010: USD 2,105 thousand).

25. Prepayments

Prepayments consisted of the following as at 31 December:

	2011	*2010*
Prepayments for construction materials and services	11,224	11,227
	11,224	11,227
Less: Allowance for impairment	(1,355)	(1,667)
	9,869	9,560

Movements in the allowance for impairment of prepayments were as follows:

	2011	*2010*
At 1 January	1,667	3,397
Charge for the year	262	973
Unused amounts reversed	(316)	(502)
Utilised	(253)	(2,202)
Translation difference	(5)	1
At 31 December	1,355	1,667

26. Taxes recoverable, other than income tax

Taxes recoverable other than income tax consisted of the following as at 31 December:

	2011	*2010*
VAT recoverable	854	2,641
Other taxes recoverable	21	13
	875	2,654

27. Cash and cash equivalents

As at 31 December 2011 cash and cash equivalents mainly comprised cash at banks. Cash at banks earn interest at floating rates based on daily bank deposit rates.

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28. Issued capital and reserves

Share premium

On 29 May 2007, the shares of TMM Real Estate Development plc 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). Total proceeds for sold shares and related transaction costs amounted to EUR 79,129 thousand (USD 104,939 thousand) and EUR 3,165 thousand (USD 4,198 thousand), respectively. Surplus of the issue proceeds less transactions costs over par value of issued additional ordinary shares represents share premium.

Treasury shares

In January, February and May 2011 the Company sold 594,449 of its repurchased ordinary shares for the total cash consideration of USD 663 thousand.

As a result of these transactions, as at 31 December 2011 the Company's repurchased ordinary shares amounted to USD 1,455 thousand and comprised ordinary 443,897 shares with a par value of USD 0.01 each.

As at 31 December 2011 the Company's issued and paid-in share capital comprised 51,348,268 ordinary shares with a par value of USD 0.01 each (31 December 2010: 50,753,819 ordinary shares with a par value of USD 0.01 each). As at 31 December 2011 the Company's total authorised share capital comprised 100,000,000 shares.

Additional paid-in capital

Additional paid-in capital is used to record additional contributions in kind made by the Company's shareholders.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of freehold buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements to presentation currency.

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 share premium, revaluation reserve and translation reserve are not distributable reserves by way of dividend.

Earnings per share

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

(in shares)	*2011*	*2010*
Issued shares as at 1 January	50,753,819	50,753,819
Effect of shares sale	508,984	-
Weighted average number of shares for the year	51,262,803	50,753,819

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29. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings consisted of the following as at 31 December:

	2011	*2010*
Current		
Bank loans	29,904	10,428
Supplier credits	1,064	664
	30,968	11,092
Non-current		
Bank loans	99,357	107,274
Supplier credits	686	1,038
	100,043	108,312
	131,011	119,404

Non-current interest bearing loans and borrowings are repayable as follows:

	2011	*2010*
1 to 2 years	33,053	20,502
2 to 3 years	33,354	28,803
3 to 4 years	33,039	28,855
4 to 5 years	597	30,152
	100,043	108,312

As at 31 December effective interest rate, maturity and currency split for interest-bearing loans and borrowings were as follows:

	Effective interest rate	*2011*	*2010*
Secured			
UAH Credit line from a Ukrainian bank	15.55%	108,222	95,483
EUR Credit line from a Ukrainian bank	LIBOR + 10.00%	20,772	21,771
EUR Supplier credits	9.62% - 9.89%	1,750	1,702
USD loan from a Ukrainian bank	LIBOR + 4.27%	267	448
		131,011	119,404

In 2011, the Group entered into an additional agreement with a Ukrainian bank extending UAH credit line limit by USD 62,579 thousand.

In 2011, the Group entered into an additional agreement with a Ukrainian bank extending repayment of UAH credit line principal in the amount of USD 21,618 thousand from September 2012 – December 2015 to September 2012 – September 2016.

In 2011, the Group entered into additional agreement with Ukrainian bank extending repayment of USD denominated credit line of USD 267 thousand from March 2011 - November 2011 to February 2012 - August 2012

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29. Interest-bearing loans and borrowings *(continued)*

As at 31 December 2011 the Group had available un-drawn borrowing facilities of USD 59,923 thousand (2010: USD 3,504 thousand), out of which USD 27,050 thousand are available in 2012. The remaining part is conditional on fulfilment of construction plan

As at 31 December interest-bearing loans and borrowings were secured as follows:

Type of collateral	*2011*	*2010*
Inventories (Note 23)	60,963	62,430
Property, plant and equipment (Note 19)	57,252	55,571
Investment properties (Note 20)	39,354	35,915
Investments (at nominal) (Note 21)	6,284	-
	163,853	153,916

30. Trade and other payables

Trade and other payables consisted of the following as at 31 December:

	2011	*2010*
Payables for goods purchased for resale	17,212	-
Trade accounts payable	4,503	5,052
Due to employees	1,376	1,093
Other	2,292	1,623
	25,383	7,768

31. Advances received

As at 31 December 2011 advances received included USD 34,444 thousand (2010: USD 36,000 thousand) of advances received for inventory property under development that management estimates will be realised in the Group's normal operating cycle.

32. Taxes payable, other than income tax

Taxes payable, other than income tax consisted of the following as at 31 December:

	2011	*2010*
Value added tax payable	1,110	573
Payroll related taxes	426	402
Miscellaneous taxes	117	67
	1,653	1,042

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33. Provisions

Movements in provisions were as follows:

	Provision for construction expenses	*Provision for tax charges and litigations*	*Total*
At 1 January 2010	-	220	220
Arising during the year	3,961	-	3,961
Translation difference	(13)	1	(12)
At 31 December 2010	3,948	221	4,169
Arising during the year	602	662	1,264
Utilised	(3,945)	-	(3,945)
Translation difference	(10)	2	(8)
At 31 December 2011	595	885	1,480

Provision for construction expenses

A provision has been recognised for construction expenses associated with completed in 2010 inventory property. The Group is committed to incur in 2012 additional construction costs related to minor refurbishments of the completed inventory property.

34. Related party disclosure

The Group's transactions with its related parties for the years ended 31 December were as follows:

	Revenue	*Other operating income*	*Purchases*	*Other operating expenses*
2011				
Associate	86	5	383	-
Entities under common control	250	44	295	77
	336	49	678	77
2010				
Associate	502	76	443	-
Entities under common control	512	817	471	129
	1,014	893	914	129

The outstanding balances due from / to related parties as at 31 December were as follows:

	Trade and other receivables	*Prepayments*	*Cash*	*Trade and other payables*	*Advances received*
2011					
Associate	38	4,547	-	372	7
Entities under common control	1,448	257	170	575	3,848
	1,486	4,804	170	947	3,855
2010					
Associate	651	3,367	-	112	660
Entities under common control	2,122	289	55	552	5,383
	2,773	3,656	55	664	6,043

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34. Related party disclosure *(continued)*

Revenue from associate and entities under common control in 2011 comprised: a) rental income amounting to USD 178 thousand (2010: USD 150 thousand); b) other revenue amounting to USD 158 thousand (2010: USD 864 thousand).

Purchases from associate and entities under common control in 2011 comprised: a) purchase of construction materials amounting to USD 381 thousand (2010: USD 156 thousand); b) purchase of construction services amounting to USD 297 thousand (2010: USD 758 thousand).

Trade and other receivable from associate and entities under common control in 2011 comprised: a) receivables for construction services amounting USD 935 thousand (2010: USD 1,950 thousand); b) receivables for other goods and services USD 551 thousand (2010: USD 823 thousand).

Prepayments made to associate and entities under common control as at 31 December 2011 and 2010 comprised mainly prepayments for construction-assembly works.

Cash with entities under common control as at 31 December 2011 and 2010 comprised cash placed at the current account of OJSC TMM-Bank.

Trade and other payables from associate and entities under common control in 2011 comprised: a) payables for construction materials amounting USD 520 thousand (2010: USD 262 thousand); b) payables for other goods and services USD 427 thousand (2010: USD 402 thousand).

Advances received from associate and entities under common control as at 31 December 2011 and 2010 comprised mainly advances received for inventory property under development.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011 the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation to key management personnel

Key management personnel consist of seven top executives of the Group.

In 2011, the total short-term employee benefits to key management personnel comprised wages and salaries and respective social security taxes in the amount of USD 251 thousand and USD 140 thousand, respectively, (2010: USD 225 thousand and USD 126 thousand, respectively) and were included in general and administrative expenses.

35. Contingencies and commitments

Tax matters

As discussed in Note 1, the Group conducts majority of its operations in Ukraine. The Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. In general, legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities. Instances of inconsistent interpretations are not unusual. The uncertainty of inconsistent enforcement and application of Ukrainian tax laws creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities. Such claims, if sustained, could have a material effect. As at 31 December 2011 the Group's management estimated that maximum cumulated tax exposure amounted to USD 4,809 thousand.

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35. Contingencies and commitments *(continued)*

In particular, the Group is exposed to inconsistent interpretations related to revenue recognition for tax purposes in real-estate sector. In addition, certain other transactions carried out by the Group with clients and suppliers in order to provide for both parties with a financial flexibility, may be challenged by regulators and treated for tax purposes in a different way. Consequently, it is possible that tax authorities may assess additional income and other taxes as well as penalties against the Group. Although this risk significantly diminishes with passage of time, the unfavourable outcome, which likelihood and amount cannot be presently determined with sufficient reliability, may have a material effect on the Group's financial position, results of operations and cash flows.

The Group management believes that the Group has sufficient basis to support its compliance with all regulations, and it is not likely that any significant settlement will arise from its interpretation and application of tax legislation and regulations.

Purchase commitments

As at 31 December 2011 the Group's contractual commitments for acquisition of construction materials and sub-contractors services amounted to USD 4,229 thousand (2010: USD 4,014 thousand).

Lease commitments

Finance lease

The Group leases a number of plant and equipment under a finance lease agreements. The lease payments are pegged to EUR and USD; the average lease term is 5 years. As at 31 December 2011 and 2010 the interest rates implicit in the lease are within the range of 15% -20% per annum.

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

	Minimum lease payments	*Present value of minimum lease payments*
at 31 December 2011		
Within one year	5,905	5,782
After one year but not more than five years	503	475
Total minimum lease payments	6,408	
Less amounts representing finance charges	(151)	
	6,257	6,257
at 31 December 2010		
Within one year	7,049	6,671
After one year but not more than five years	2,047	1,858
Total minimum lease payments	9,096	
Less amounts representing finance charges	(567)	
	8,529	8,529

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35. Contingencies and commitments *(continued)*

Operating lease – the Group as a lessor

During the year ended as at 31 December 2009 the Group has entered into a commercial property lease on certain investment property. This non-cancellable lease has initial term of ten years. Lease includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under a non-cancellable operating lease as at 31 December 2011 were as follows:

	2011	*2010*
Within one year	600	600
After one year but not more than five years	3,000	3,000
More than five years	3,900	4,500
	7,500	8,100

36. Fair value of financial instruments

Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments, that are carried in the consolidated statement of financial position:

	Carrying amount		*Fair value*	
	2011	*2010*	*2011*	*2011*
Financial assets				
Trade and other receivables	7,346	10,713	7,346	10,713
Cash and cash equivalents	475	3,693	475	3,693
Financial liabilities				
Interest-bearing loans and borrowings	131,011	119,404	128,898	114,695
Finance lease liability	6,257	8,529	6,257	8,529
Trade and other payables	25,383	7,768	25,383	7,768

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the statement of financial position date. Quoted market prices or dealer quotes for the specific or similar instruments or the discounted value of future cash flows are used for long-term debt. To determine the fair value of the remaining long-term financial instruments, the discounted values of future cash flows are used. The face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

37. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the development of the Group's property portfolio. The Group has trade and other receivables and cash and short-term deposits that arise directly from its operations.

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Group's financial department. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, credit risk and interest rate risk. The policies for managing each of these risks are summarized below.

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37. Financial risk management objectives and policies *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

In 2011 and 2010, the Group primarily borrowed at both fixed and floating rate pegged to the London Inter Bank Offering Rate ("LIBOR").

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase / (decrease) in basis points	*Effect on profit before tax*
		USD ' 000
2011		
LIBOR	15	(32)
LIBOR	(15)	32
2010		
LIBOR	100	(222)
LIBOR	(25)	56

The Group has not entered into transactions designed to hedge against the interest rate risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including cash in bank.

The Group's maximum credit risk exposure at 31 December comprised:

	2011	*2010*
Cash and cash equivalents	475	3,693
Trade and other receivables	7,346	10,713
	7,821	14,406

The Group's cash is primarily held with major reputable banks located in Ukraine and Cyprus. The management carries out continuous monitoring of the financial position in respect of the financial institutions where the Group's cash is placed. The credit risk to the Group relates to the default of the banks on their obligations and is limited to the balance of the cash placed with the banks.

The credit risk of the Group attached to the outstanding balance of receivables is limited due to constant monitoring carried out by the Group's management of the creditworthiness of corporate customers, and because the Group generally requires a prepayment from non-corporate customers. The Group's credit risk is associated with the default of the customers on their obligations and is limited to the carrying amount of the accounts receivable. Management believes that the Group's exposure to the credit risk is not material to the overall business of the Group.

Other exposures are monitored and analyzed on a case-by-case basis and the Group's management believes that credit risk is appropriately reflected in impairment allowances recognized against assets.

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37. Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and customers and bank loans and borrowings.

In the next twelve months the Group expects to finance its operating and investing activities with undrawn borrowing facilities and cash generated from operations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2011	*Less than one year*	*1 to 5 years*	*Total*
Interest bearing loans and borrowings	37,700	161,203	198,903
Finance lease liability	5,905	503	6,408
Trade and other payables	25,383	-	25,383
	68,988	161,706	230,694
2010			
Interest bearing loans and borrowings	18,893	142,337	161,230
Finance lease liability	7,049	2,047	9,096
Trade and other payables	7,768	-	7,768
	33,710	144,384	178,094

Foreign currency risk

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar ("USD") and the Euro ("EUR") play a significant role in the underlying economics of the Group's business transactions.

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against the Ukrainian hryvnia ("UAH"), as declared by the National Bank of Ukraine ("NBU") as at the dates stated, were as follows:

	USD	*EUR*
1 January 2010	7.9850	11.4489
Average for 2010	7.9354	10.5338
31 December 2010	7.9617	10.5731
Average for 2011	7.9678	11.0911
31 December 2011	7.9898	10.2980
10 July 2012	7.9930	9.8258

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than its functional currency. The Group has not entered into transactions designed to hedge against these foreign currency risks.

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's exposure to foreign currency changes for all other currencies is not material.

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37. Financial risk management objectives and policies *(continued)*

Foreign currency risk *(continued)*

	Change in foreign currency exchange rates	*Effect on profit before tax*
2011		
Increase in USD exchange rate	23.22%	(455)
Increase in EUR exchange rate	27.20%	(7,374)
Decrease in USD exchange rate	-23.22%	455
Decrease in EUR exchange rate	-27.20%	7,374
2010		
Increase in USD exchange rate	29.50%	(1,168)
Increase in EUR exchange rate	27.90%	(7,951)
Decrease in USD exchange rate	-29.50%	1,168
Decrease in EUR exchange rate	-27.90%	7,951

Capital risk management

The Group considers debt and shareholders' equity as primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and further the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to the Group's access to capital markets.

	2011	*2010*
Long-term borrowings	100,043	108,312
Short-term borrowings	30,968	11,092
Finance lease liability	6,257	8,529
Advances received from customers	34,444	36,000
Less cash and cash equivalents	(475)	(3,693)
Net debt	171,237	160,240
Total equity attributable to equity holders of the parent	158,510	177,696
Total capital and net debt	329,747	337,936
Gearing ratio	52%	47%

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

38. Subsequent events

Subsequent to the statement of financial position date the Group:

- Entered into additional agreements with a Ukrainian bank decreasing interest for the period of January 2012 – September 2016 for four credit lines in the total amount of USD 108,222 thousand from 17.0% to 15.5% per annum. In accordance with additional agreements, an interest accrued during January 2012 – December 2012 shall be repaid by equal monthly installments at 5.00% per annum during January 2012 – December 2012 and at 10.50% per annum during January 2013 – December 2015.
- The ultimate shareholder of the Group settled advances received by the Group of USD 2,260 thousand through transfer to a third party of 3,960,000 ordinary shares in OJSC TMM-Bank, an entity under common control, with a par value of UAH 10 (USD 1.25).