TMM Real Estate Development plc
Unaudited Interim Condensed
Consolidated Financial Statements

As at 30 June 2013

CONTENT

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

Maarten van den Belt
Dominic Dreyfus
Nikoloz Enukidze
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 Ukraine"
PJSC "Bank Credit Agricole"
JSC "ING Bank Ukraine"

REGISTERED OFFICE

1, Lampousas Str.,
1095, Nicosia,
Cyprus

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

	Notes	*The six-month period ended 30 June 2013*	*The six-month period ended 30 June 2012*
Revenue	4	16,060	14,306
Cost of sales		(16,557)	(10,652)
Gross profit		(497)	3,654
Other operating income		1,038	1,707
General and administrative expenses		(1,590)	(1,880)
Selling and distribution expenses		(413)	(438)
Other operating expenses		(1,195)	(1,453)
Operating profit (loss)		(2,657)	1,590
Share in profits of associates		-	1,658
Finance costs		(3,675)	(6,161)
Foreign exchange gain (loss), net		262	295
Loss before tax		(6,070)	(2,618)
Income tax expense	6	(300)	(575)
Loss for the period		(6,370)	(3,193)
Other comprehensive loss			
Items that will never be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		13	(82)
Other comprehensive loss for the period		13	(82)
Total comprehensive loss for the period		(6,357)	(3,275)
Loss attributable to:			
Equity holders of the parent		(6,354)	(3,145)
Non-controlling interests		(16)	(48)
		(6,370)	(3,193)
Total comprehensive loss attributable to:			
Equity holders of the parent		(6,341)	(3,227)
Non-controlling interests		(16)	(48)
		(6,357)	(3,275)
Basic and diluted earnings per share (in US dollars)		(0.12)	(0.06)

The accompanying notes form an integral part of the interim condensed consolidated financial statements
The interim condensed consolidated financial statements were not subject to audit or review

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

	Notes	30 June 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	7	74,788	75,605
Intangible assets		419	459
Investment properties	8	47,556	53,022
Investments available-for-sale	9	6,711	-
Property development rights	10	32,365	32,270
		161,839	161,356
Current assets			
Inventories	11	185,644	178,665
Trade and other receivables		10,358	9,478
Prepayments		5,029	9,929
Prepaid income tax		22	22
Taxes recoverable, other than income tax		1,716	1,171
Cash and cash equivalents		313	553
		203,082	199,818
TOTAL ASSETS		364,921	361,174
EQUITY AND LIABILITIES			
Equity			
Share capital		510	510
Share premium		99,191	99,191
Additional paid-in capital		2,592	2,592
Revaluation reserve		62,813	64,596
Retained earnings		7,031	11,602
Translation reserve		(70,282)	(70,295)
Equity attributable to equity holders of the parent		101,855	108,196
Non-controlling interests		478	494
Total equity		102,333	108,690
Non-current liabilities			
Interest-bearing loans and borrowings	12	86,801	95,525
Finance lease liability		-	30
Deferred tax liability		14,233	13,934
		101,034	109,489
Current liabilities			
Trade and other payables		32,687	29,716
Interest-bearing loans and borrowings	12	81,256	60,870
Finance lease liability		2,647	2,955
Advances received		40,757	47,065
Taxes payable, other than income tax		1,328	1,454
Provisions		2,879	935
		161,554	142,995
TOTAL LIABILITIES		262,588	252,484
TOTAL EQUITY AND LIABILITIES		364,921	361,174

Signed and authorised for release on behalf of TMM Real Estate Development plc on 27 September 2013:

Director Mykola Tolmachov

Director Larysa Chyvurina

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2013
(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 interests	Total equity
Balance at 1 January 2012	513	99,227	2,592	63,219	80,264	(87,305)	158,510	502	159,012
Loss for the period	-	-	-	-	(3,145)	-	(3,145)	(48)	(3,193)
Other comprehensive loss	-	-	-	-	-	(82)	(82)	-	(82)
Total comprehensive loss for the period	-	-	-	-	(3,145)	(82)	(3,227)	(48)	(3,275)
Transactions with owners of the Group, recognised directly in equity									
Other contributions by owners of the Group	-	-	2,261	-	-	-	2,261	-	2,261
Total contributions by owners of the Group	-	-	2,261	-		-	2,261	-	2,261
Balance at 30 June 2012	513	99,227	4,853	63,219	77,119	(87,387)	157,544	454	157,998
Balance at 1 January 2013	510	99,191	2,592	64,596	11,602	(70,295)	108,196	494	108,690
Loss for the period	-	-	-	-	(6,354)	-	(6,354)	(16)	(6,370)
Other comprehensive loss	-	-	-	-	-	13	13	-	13
Total comprehensive loss for the period	-	-	-	-	(6,354)	13	(6,341)	(16)	(6,357)
Transfer of revaluation reserve, net of taxes	-	-	-	(1,783)	1,783	-	-	-	-
Balance at 30 June 2013	510	99,191	2,592	62,813	7,031	(70,282)	101,855	478	102,333

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

	Notes	*The six-month period ended 30 June 2013*	*The six-month period ended 30 June 2012*
Operating activities			
Loss before tax		(6,070)	(2,618)
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortisation		395	634
Reversal of impairment of trade and other receivables		(516)	-
Loss on disposal of property, plant and equipment and investment properties	7, 8	1	876
Share in profits of associates		-	(1,658)
Finance costs		3,675	6,161
Unrealised foreign exchange (gain) / loss		(221)	806
Working capital adjustments			
Change in inventories		(1,564)	(49)
Change in trade and other receivables		(514)	(1,824)
Change in prepayments		5,051	(187)
Change in taxes recoverable, other than income tax		(545)	(1,002)
Change in trade and other payables and provisions		2,972	1,080
Change in advances received		(4,151)	(6,542)
Change in taxes payable, other than income tax		(126)	1,436
Interest paid		(3,292)	(3,136)
Net cash flows used in operating activities		(4,905)	(6,023)
Investing activities			
Proceeds from sale of property, plant and equipment and investment properties	7, 8	2	1,876
Purchase of property, plant and equipment and investment properties	7	(179)	(462)
Purchase of intangible assets		-	(26)
Purchase of property development rights		(94)	-
Net cash flows (used in) / from investing activities		(271)	1,388
Financing activities			
Proceeds from loans	12	7,443	8,367
Repayment of loans		(1,997)	(2,221)
Repayment of finance lease liabilities		(510)	(1,413)
Net cash flows from financing activities		4,936	4,733
Net (decrease) / increase in cash and cash equivalents		(240)	98
Cash and cash equivalents as at 1 January		553	475
Cash and cash equivalents as at 30 June		313	573

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

1. Background

Corporate information

These interim condensed 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 30 June is disclosed below.

Name	*Principal activities*	*30 June 2013*	*31 December 2012*
Subsidiaries:			
"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	99.8%	99.8%
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	80.0%*	50.0%
LLC "Ukr-bud-service"	Development project	50.0%	50.0%

*Refer to Note 9

All subsidiaries and associates are incorporated in Ukraine.

The Group is ultimately controlled by Mr. Mykola Tolmachov.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS as at and for the six-month period ended 30 June 2013

(in thousands of US dollars, unless otherwise indicated)

Ukrainian business environment

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the economy of Ukraine have further increased the level of economic uncertainty in the environment. These interim condensed consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Cyprus business environment

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly reduced.

The current economic environment of Cyprus does not currently have a significant impact on the operations of the Group as the Group does not hold significant funds in Cypriot financial institutions. The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and, consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

2. Basis of preparation and accounting policies

Statement of compliance

These interim condensed consolidated financial statements for the six-month period ended 30 June 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012, which are available on the corporate web-site of the Group.

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

Going concern

During the six-month period ended 30 June 2013 the Group reported a net loss of USD 6,370 thousand (six-month period ended 30 June 2012: USD 3,193 thousand) and a net cash outflow from its operating activities of USD 4,905 thousand (six-month period ended 30 June 2012: USD 6,023 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's financial plan for 2013-2014 anticipates growth in cash inflows from property sales. To sustain the increase in cash inflow from its operations in 2013-2014 the Group plans the following:

- to sell completed property to buyers on a pre-payment basis;
- to participate in tenders for rendering of construction services;
- to sell investment properties;
- to enhance an advertising campaign seeking to attract new customers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

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 2013-2014, and (ii) generation of sufficient cash flows from its operating activities.

Functional and presentation currencies

The Group's presentation currency is the US dollar ("USD"). The functional currency of major companies of the Group is the Ukrainian hryvnia ("UAH") as it reflects the economic substance of the underlying events and circumstances of their operations. The principal exchange rate used in the preparation of these interim condensed consolidated financial statements is UAH 7.99 to USD 1.00.

Judgements and estimates

Preparing the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2012.

Significant accounting policies

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2012. The following changes in the accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

From 1 January 2013, the Group adopted Amendments to IAS 1 *Presentation of items of other comprehensive income*, Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*.

Amendments to IAS 1 *Presentation of items of other comprehensive income* requires an entity to present separately items of other comprehensive income that could be reclassified in the future to profit or loss from those items that will never be reclassified to profit or loss. In addition, according to the Amendment, the title of statement of comprehensive income was changed to statement of profit or loss and other comprehensive income. Application of Amendments to IAS 1 did not have significant impact on these interim condensed consolidated financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. Application of amendments to IFRS 7 did not have significant impact on these interim condensed consolidated financial statements.

IFRS 10 *Consolidated Financial Statements* introduced a single control model to determine whether an investee should be consolidated. As a result, the Group did not change its consolidation conclusion in respect of its investees and there were no changes in the current accounting for these investees.

IFRS 12 *Disclosure of Interests in Other Entities* brought together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Adoption of IFRS 12 did not have significant impact on these interim condensed consolidated financial statements.

IFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

(in thousands of US dollars, unless otherwise indicated)

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities.

3. Seasonality of operations

The Group's business is not materially exposed to the seasonal fluctuations.

4. Revenue

Revenue for the six-month period ended 30 June comprised:

	2013	*2012*
Sales of completed inventory property	10,259	5,532
Construction contracts revenue	1,281	3,749
Utility services income	2,404	2,031
Rental income from investment properties	1,360	1,570
Other construction services revenue	345	213
Other services	411	1,211
	16,060	14,306

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

5. 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.

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, selling and distribution expenses and share in losses of associates.

For the six-month period ended 30 June the Group's segmental information was as follows:

2013	*Investment property*	*Property development*	*Other non-reportable*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Revenue						
External customers	1,360	10,259	4,157	15,776	284	16,060
Inter-segment	-	-	1,349	1,349	(1,349)	-
Total revenue	1,360	10,259	5,506	17,125	(1,065)	16,060
Results						
Depreciation	-	(395)	-	(395)	-	(395)
Selling and distribution expenses	(49)	(364)	-	(413)	-	(413)
Segment results (including cost of sales)	1,311	(431)	(725)	155	(1,065)	(910)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

5. Operating segment information *(continued)*

2012	*Investment property*	*Property development*	*Other non-reportable*	*Total segments*	*Adjustments and eliminations*	*Consolidated*
Revenue						
External customers	1,570	5,532	7,204	14,306	-	14,306
Inter-segment	-	-	731	731	(731)	-
Total revenue	1,570	5,532	7,935	15,037	(731)	14,306
Results						
Depreciation	-	(634)	-	(634)	-	(634)
Selling and distribution expenses	(19)	(419)	-	(438)	-	(438)
Share in profits of associates	-	-	1,658	1,658	-	1,658
Segment results (including cost of sales)	1,551	(806)	4,860	5,605	(731)	4,874

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

Inter-segment revenues are eliminated on consolidation.

Reconciliation of profit

	The six-month period ended 30 June 2013	*The six-month period ended 30 June 2012*
Segment results	155	5,605
General and administrative expenses	(1,590)	(1,880)
Other operating expenses	(1,195)	(1,453)
Other operating income	1,038	1,707
Finance costs	(3,675)	(6,161)
Foreign exchange gain	262	295
Inter-segment sales (eliminations)	(1,065)	(731)
Consolidated (loss) / profit before tax	(6,070)	(2,618)

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.

6. Income tax

The major components of income tax expense for the six-month period ended 30 June are:

Profit or loss

	2013	*2012*
Current income tax charge	-	-
Deferred tax relating to reversal and origination of temporary differences	300	575
Income tax expense reported in profit or loss	300	575

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its entities (in Ukraine and Cyprus).

The most of the Group's operations are performed in Ukraine. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual.

According to the Tax Code, introduced in Ukraine in December 2010, the income tax rates will decrease gradually from 21.0% in 2012 to 16.0% in 2014. As at 30 June 2013, income tax rate in Ukraine is 19.0% (30 June 2012: 21.0%)

During six-month period ended 31 June 2013 Cyprus income tax rate was 12.5% (the six-month period ended 30 June 2012: 10.0%).

7. Property, plant and equipment

During the six-month period ended 30 June 2013, the Group purchased property and equipment with a cost of USD 179 thousand (six-month period ended 30 June 2012: USD 462 thousand).

Property and equipment with a carrying amount of USD 3 thousand were disposed during six-month period ended 30 June 2013, resulting in a loss on disposal of USD 1 thousand (six-month period ended 30 June 2012: UASD 1,567 thousand and USD 50 thousand, respectively).

8. Investment properties

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

During six-month period ended 30 June 2013 and 2012, the Group did not purchase investment properties. During six-month period ended 30 June 2013, properties with a carrying value of USD 1,222 thousand were transferred from inventory to investment properties (six-month period ended 30 June 2012: nil).

Investment properties with a carrying value of USD 6,711 thousand were exchanged for financial assets available-for-sale during six-month period ended 30 June 2013. During six-month period ended 30 June 2012, investment properties with a carrying amount of USD 1,185 thousand were disposed, resulting in a loss on disposal of USD 826 thousand.

Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer as at 31 December 2012. Fair value was determined by reference to market based evidence, which is based on active market quotes, adjusted for any difference in the nature, location or condition of the specific property.

The Company did not obtain an updated appraisal report for the investment property as at 30 June 2013, because management believes that no significant changes took place on the real estate market since the date of the latest valuation and that the fair value of investment property did not fluctuate significantly.

9. Investments available-for-sale

During the six-month period ended 30 June 2013, the Group acquired an additional 30% of its associate PJSC "Energobud" with the objective of further resale in 2013. Additional share in associate was exchanged for investment properties with a carrying amount of USD 6,711 thousand (note 8).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

10. Property development rights

Property development rights were as follows (by projects):

Name of the project	*Location of the project*	*Type of the project*	*30 June 2013*	*31 December 2012*
Lisya bukhta	Crimea	Recreational	5,273	5,272
Arabatska strilka	Kherson	Recreational	4,084	4,065
Satellite Town	Kyiv	Residential	3,925	3,924
Palladium Centre	Kyiv	Commercial	2,734	2,733
Parkove	Yalta	Recreational	2,144	2,144
Moskovskyj	Kharkiv	Residential	1,348	1,334
Tankova	Kyiv	Residential	1,705	1,704
Bereznevyj	Kyiv	Residential	1,204	1,190
Pivdenny	Kyiv	Residential	965	964
Uborevicha	Kyiv	Commercial	607	594
Korchagintsiv	Kharkiv	Residential	432	417
Tisa	Carpathians	Recreational	316	316
Dytyachoi Komuny	Zhytomyr	Residential	278	267
Parkova Chernomorsk	Crimea	Recreational	262	262
Lubyanka	Kyiv	Residential	150	150
Other	Various	Various	6,938	6,934
			32,365	32,270

11. Inventories

There were no inventory write-downs recognised during the six-month period ended 30 June 2013 and 30 June 2012.

During six-month period ended 30 June 2013, the Group completed construction works and put into operation the second stage of Sonyachna brama project and the second stage of Green Town project.

12. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings were as follows:

	30 June 2013	*31 December 2012*
Current		
Bank loans	80,170	59,962
Supplier credits	1,086	908
	81,256	60,870
Non-current		
Bank loans	86,319	95,024
Supplier credits	482	501
	86,801	95,525
	168,057	156,395

During six-month period ended 30 June 2013, the Group obtained additional debt financing within the limits of the credit line provided by a Ukrainian bank amounting to USD 7,443 thousand (six-month period ended 30 June 2012: USD 8,367 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 2013
(in thousands of US dollars, unless otherwise indicated)

13. Related party disclosure

The Group's transactions with its related parties for the six-month period ended 30 June were as follows:

	Revenue	*Other operating income*	*Purchases*	*Other operating expenses*
2013				
Associate	37	-	2,413	-
Entities under common control	112	7	188	4
	148	7	2,601	4
2012				
Associate	29	-	186	-
Entities under common control	153	73	38	1
	182	73	224	1

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

	Trade and other receivables	*Prepayments*	*Trade and other payables*	*Advances received*
30 June 2013				
Associate	37	5,094	845	-
Entities under common control	1,431	601	212	279
	1,468	5,695	1,057	2,161
31 December 2012				
Associate	257	6,149	790	-
Entities under common control	1,719	255	497	128
	1,976	6,404	1,287	128

Terms and conditions of transactions with related parties

Outstanding balances at the period-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. As at and for the six-month period ended 30 June 2013 the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period 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.

During six-month period ended 30 June 2013 the total short-term employee benefits to key management personnel comprised wages and salaries and respective social security taxes in the amount of USD 284 thousand and USD 27 thousand, respectively, and were included in general and administrative expenses (30 June 2012: USD 200 thousand and USD 36 thousand, respectively).

14. 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 30 June 2013 and 31 December 2012 the Group's management estimated that maximum cumulated tax exposure amounted to USD 4,803 thousand.

(in thousands of US dollars, unless otherwise indicated)

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.

Operating lease – the Group as a lessor

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 were as follows:

	30 June 2013	*31 December 2012*
Within one year	600	600
After one year but not more than five years	3,000	3,000
More than five years	3,000	3,300
	6,600	6,900

15. Financial risk management objectives and policies

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.