

8 May 2008

**Aisi Realty Public Limited**  
("Aisi or "the Company")

Aisi, a property investment company focusing on development projects and related investments in Ukraine, announces its results for the year ended 31 December 2007.

**Financial Highlights**

- Raised \$33.1m through a share placing on London's AIM market in August 2007 in addition to over \$67m raised prior to the IPO
- Adjusted net assets of \$116.1m at December 2007
- Cash balance at December 31 2007 of \$43.7m
- Adjusted net assets per share amounted to \$0.70 as at 31 December 2007

**Operating Highlights**

- Acquired Aisi Outdoor LLC, an outdoor advertising real estate business, in September 2007
- Commenced construction of its first logistics development in Brovary with completion on schedule for H2 2008
- Sold 60.6% interest in Tarasovskaya residential project for \$3.0m realising Internal Rate of Return of 43%

**Post-Year End Highlights**

- Agreement signed with general contractor to commence construction at Bela Logistics Park in Odessa following receipt of building approval

Commenting on the results, Beso Sikharulidze, Director of Aisi, said: "I am pleased that Aisi has quickly established itself as a prominent investor in the fast growing real estate market of Ukraine. The results demonstrate the successful execution of our investment strategy and show significant value creation through the effective management of the development process. We have a strong pipeline of eight development projects across Ukraine and remain very positive on the market fundamentals in all segments in which Aisi is a participant."

A copy of the full audited financial statements may be found on the Company's website: [www.aisicapital.com](http://www.aisicapital.com).

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## **Overview**

The Board of Aisi is pleased to report its maiden full year results since its admission to AIM on 1 August 2007. During 2007, the Company made good progress in consolidating its position as a major investor in the Ukrainian real estate market. The placing and admission to AIM in August 2007, in which an additional \$33.1m was raised from institutional investors, has enabled the Company to advance its portfolio of development projects as well as execute on its strategy of concentrating on attractive office, residential and warehouse developments in Ukraine.

At 31 December 2007, the Company's interest in the portfolio projects was valued at \$57.6m.

## **Operational Review**

The Ukrainian property market continues to benefit from strong long-term fundamentals driven by high economic growth, urbanisation, and a shortage of high quality commercial and residential property. In particular, the demand for quality logistics facilities is high and the Company has seen considerable interest in its two logistics projects.

Overall, the Company currently has investments in five development projects and an outdoor advertising business, all of which were advanced significantly during 2007 with respect to local planning. In addition the Investment Manager has progressed its other pipeline opportunities.

A summary of the status of each of the existing five projects and Aisi Outdoor is given below:

### *Terminal Brovary*

Currently under construction, this is Aisi's most advanced project. As one of Ukraine's first Class A logistics warehouses situated approximately 30 kilometres north-east of Kiev it will feature some 42,800 square metres of modern warehouse space.

In November 2007, building approval was received from Brovary City Council of Kiev Region, allowing the commencement of construction. A building contractor has been chosen and construction work is now in progress, with completion expected during H2 2008.

In addition, Aisi increased its shareholding to 100% in Terminal Brovary through the acquisition of the 40% stake owned by the original vendors for a total of \$1.7m in accordance with the sales and purchase agreement entered into in September 2006.

### *Bela Logistics Park, Odessa*

A logistics complex situated approximately 15km from Odessa and comprising three independent warehouse buildings constructed with a gross area of 108,000 sq. m. incorporating approximately 11,000 sq. m. of chilled storage.

All the necessary permissions and approvals have been obtained and an agreement with a general contractor for the building construction has recently been signed. Construction should commence imminently and it is expected that it will be completed within 18 months.

### *Kiyansky Lane*

Kiyansky Lane, a residential development overlooking the historic Podil district of Kiev, is in the final permitting stage and is expected to commence construction in the second half of 2008.

### *Tsimliansky Lane*

Tsimliansky Lane, a residential development in the Podil district of Kiev, is also in the final permitting stages and expects to be breaking ground in the second half of 2008.

### *Podil Residential*

A residential development situated in the Podil district of Kiev. The Company has extended the term of the loan for this project till June 30, 2008, by which date it anticipates that the loan will convert to equity once all necessary permits are obtained and confirmed by the legal due diligence or that the loan will be repaid with interest.

### *Aisi Outdoor*

In September 2007, Aisi acquired an outdoor advertising business and its property assets in Kiev for a total consideration of \$2.1m for the business and associated property assets.

Aisi intends to grow this business organically through the addition of suitable advertising sites and improving utilization of existing assets. Since acquisition, the Company has met utilization targets, and has continued its growth from adding new sites from its internally generated cash flow.

### **Completed Investments**

In May 2007, the company sold Aisi Taurus with its 60.6% interest in Tarasovskaya residential project for \$3m, realizing net gain of \$1.2m, and Internal Rate of Return of 43%.

### **Board**

In October 2007, Dr Franz Hoerhager was appointed to the Board as a non-executive director of the Company. He has extensive experience in Central and Eastern Europe and is a founding partner and executive director of Mezzanine Management GmbH, the manager of Accession Mezzanine Capital, which is the leading fund provider of subordinated debt to businesses in Central and Eastern Europe.

### **Outlook and Pipeline**

The Company's current portfolio projects continue to make good progress and the real estate market in Ukraine, particularly for development projects, remains strong.

The Company has a strong pipeline of potential new projects which include two office sites for construction in Kiev, two office sites in Odessa, and six industrial sites in Donetsk, Brovary, Kharkiv, Dnipropetrovsk and Hlivaha. Preliminary agreements have been entered into on four of these pipeline projects, as described below, and definitive sale and purchase agreements should be entered into during 2008.

Consistent with the strategy of the Fund, all pipeline developments are in the vicinity of major metropolitan areas with a population of one million or more. In addition, many of the metropolitan areas are host cities for the European Football Championships in 2012.

### *Prime City Centre Office Development – Odessa*

The Company has the opportunity to participate with a local partner on an 80:20 basis in the refurbishment of an existing factory in Odessa. The existing factory comprises 4 floors totalling 6,000 sq. m. on a 20,000 sq. m. of land plot and is situated on a main road with access to public transport and adequate parking. The project design is well advanced and the designers estimate that the conversion will provide 15, 178 sq. m. of class A offices over 8 floors. The estimated development cost is \$22m with an equity capital commitment of \$9m which is 100% of the equity capital required for the project.

As part of the preliminary agreement, Aisi has provided an advance of \$4.8m secured on mortgaged land which will be deducted from the total purchase price once the vendor has satisfied various conditions.

*City Centre Retail and Office Development – Odessa*

The Company has the opportunity to participate with a local partner on an 80:20 basis in the development of a retail and office development on a major thoroughfare near the centre of Odessa. The project is to involve the development of 13,175 sq. m. over six floors – consisting of 5,360 sq. m. of retail space, 5,535 sq. m. of office space and 2,280 sq. m. of parking space. The estimated development cost is \$26m with an equity capital commitment of \$10.2m which is 100% of the equity capital required for the project.

As part of the preliminary agreement, Aisi has provided an advance of \$0.6m secured on mortgaged land which will be deducted from the total purchase price once the vendor has satisfied various conditions.

*Prime City Centre Office Development – Kiev*

The Company has the opportunity to purchase a 2,700 sq. m. land plot with the possibility of constructing 20,000 sq. m. of office space. It is envisaged that the ground floor will be used for retail banking. The land plot is situated on a main road, close to the Ukraine parliament and with easy access to the city transport system. The estimated development cost is \$66m with a capital commitment of \$20m.

As part of the preliminary agreement, Aisi has signed an Escrow Agreement and deposited \$1 million with the Bank of Cyprus which is acting as a Custodian in this transaction.

*Warehouse – Donetsk*

A 228,000 sq. m. site within 5km of the city boundary and close to a major intersection of the proposed new ring road suitable for the provision of approximately 108,000 sq. m. of class 'A' warehouse and office space. The estimated development cost is \$101m with an equity capital commitment of \$40m.

As part of the preliminary agreement, Aisi has provided an advance of \$0.9m secured by bank guarantee which will be deducted from the total purchase price once the vendor has satisfied various conditions.

**CONSOLIDATED INCOME STATEMENT**  
**Year ended 31 December 2007**

	Note	2007 US\$	2006 US\$
<b>Income</b>			
Fair value gains on investment property		<b>7.700.602</b>	14.110.087
Miscellaneous income		<b>106.320</b>	50.040
		<b>7.806.922</b>	14.160.127
Other income		<b>2.984</b>	(5.481)
<b>Expenditure</b>			
Administration expenses	1	<b>(4.576.062)</b>	(3.532.597)
Net finance costs	5	<b>(158.521)</b>	(46.046)
Net profit from investing activities	6	<b>1.905.564</b>	-
<b>Profit before tax</b>	2	<b>4.980.887</b>	10.576.003
Tax	7	<b>(2.299.572)</b>	(4.511.103)
<b>Net profit for the year</b>		<b>2.681.315</b>	6.064.900
Attributable to:			
Equity holders of the parent		2.555.372	3.252.010
Minority interest		125.943	2.812.890
		<b>2.681.315</b>	6.064.900
<b>Earnings per share attributable to equity holders of the parent (cent)</b>			
	8	<b>2,1</b>	23,3

**CONSOLIDATED BALANCE SHEET**  
**31 December 2007**

	Note	2007 US\$	2006 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	295.376	64.418
Property under construction	10	6.722.135	-
Investment properties	11	32.830.000	25.176.948
Intangible assets	12	1.999.388	-
		<u>41.846.899</u>	<u>25.241.366</u>
<b>Current assets</b>			
Trade and other receivables	13	23.206.636	342.388
Cash at bank and in hand	14	43.708.552	373.473
		<u>66.915.188</u>	<u>715.861</u>
<b>Total assets</b>		<u>108.762.087</u>	<u>25.957.227</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves attributable to equity holders of the parent</b>			
Share capital	15	1.881.092	332.508
Share premium		92.683.930	14.288.867
Retained earnings net of minority interest		5.100.870	2.545.498
Notes payable by shareholders		-	(1.499.981)
		<u>99.665.892</u>	<u>15.666.892</u>
Minority interest		<u>754.053</u>	<u>2.867.265</u>
<b>Total equity</b>		<u>100.419.945</u>	<u>18.534.157</u>
<b>Non-current liabilities</b>			
Obligations under finance leases	16	94.455	47.540
Deferred tax liabilities	17	6.423.314	4.433.642
		<u>6.517.769</u>	<u>4.481.182</u>
<b>Current liabilities</b>			
Trade and other payables	18	1.708.039	2.854.123
Obligations under finance leases	16	23.695	10.304
Current tax liabilities	19	92.639	77.461
		<u>1.824.373</u>	<u>2.941.888</u>
<b>Total liabilities</b>		<u>8.342.142</u>	<u>7.423.070</u>
<b>Total equity and liabilities</b>		<u>108.762.087</u>	<u>25.957.227</u>

On 24 April 2008 the Board of Directors of Aisi Realty Public Ltd authorised the issue of these financial statements.

Paul Robert Ensor  
 Director

Besik Sikharulidze  
 Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2007**

	<u>Attributable to equity holders of the Company</u>						
	Share capital US\$	Share premium US\$	Notes payables from shareholders US\$	Retained earnings, net of minority interest US\$	Total US\$	Minority interest US\$	
<b>Balance - 1 January 2006</b>	<b>42.000</b>	<b>2.058.000</b>	<b>(192.280)</b>	<b>(706.512)</b>	<b>1.201.208</b>	<b>-</b>	<b>1.201.208</b>
Net profit for the year	-	-	-	3.252.010	3.252.010	2.812.890	6.064.900
Shares issued	290.508	12.634.473	-	-	12.924.981	-	12.924.981
Capital raising costs	-	(403.606)	-	-	(403.606)	-	(403.606)
Payments for shares issued in 2005	-	-	192.280	-	192.280	-	192.280
Minority interest from purchase of subsidiaries	-	-	-	-	-	54.375	54.375
Notes payable from shareholders	-	-	(1.499.980)	-	(1.499.980)	-	(1.499.980)
<b>At 31 December 2006/ 1 January 2007</b>	<b>332.508</b>	<b>14.288.867</b>	<b>(1.499.980)</b>	<b>2.545.498</b>	<b>15.666.893</b>	<b>2.867.265</b>	<b>18.534.158</b>
Net profit for the year	-	-	-	2.555.372	2.555.372	125.943	2.681.315
Shares issued	1.548.584	83.590.413	-	-	85.138.997	-	85.138.997
Capital raising costs	-	(5.195.350)	-	-	(5.195.350)	-	(5.195.350)
Minority interest from subsidiaries	-	-	-	-	-	(2.239.155)	(2.239.155)
Payments for shares issued in 2006	-	-	1.499.980	-	1.499.980	-	1.499.980
<b>At 31 December 2007</b>	<b>1.881.092</b>	<b>92.683.930</b>	<b>-</b>	<b>5.100.870</b>	<b>99.665.892</b>	<b>754.053</b>	<b>100.419.945</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2007**

	Note	2007 US\$	2006 US\$
<b>CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>4,980,887</b>	10,576,003
Adjustments for:			
Depreciation of property, plant and equipment	9	<b>85,526</b>	14,316
(Increase)/decrease in advances for investments		<b>(10,000,000)</b>	1,244,000
(Increase)/decrease in accounts receivable		<b>(19,714)</b>	-
(Increase)/decrease to advances to related parties		<b>120,000</b>	(120,000)
(Increase)/decrease in prepayments and other current assets		<b>(9,868,062)</b>	(184,188)
Advances under investment contracts		<b>(3,096,473)</b>	-
Increase in intangible assets		<b>(1,999,388)</b>	-
Increase/(decrease) in trade and other payables	18	<b>(1,283,906)</b>	2,102,080
Increase/(decrease) in amounts due to related parties	20.2	<b>137,822</b>	608,824
Increase in taxes payable		<b>15,177</b>	-
Purchase and development of property		<b>47,551</b>	(11,066,862)
Gain on revaluation of investment property		<b>(7,700,602)</b>	(14,110,087)
Purchase of property plant and equipment		<b>(256,181)</b>	(20,888)
Increase in deferred tax liability		<b>(309,900)</b>	-
Increase in minority shareholders' liability		<b>(2,239,152)</b>	54,375
Increase in properties under construction		<b>(6,722,135)</b>	-
<b>Net cash used in operating activities</b>		<b><u>(38,108,549)</u></b>	<u>(10,902,427)</u>
		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		<b><u>81,443,629</u></b>	<u>11,213,674</u>
<b>Net cash from financing activities</b>		<b><u>81,443,629</u></b>	<u>11,213,674</u>
<b>Net increase in cash and cash equivalents</b>		<b>43,335,079</b>	311,247
Cash and cash equivalents:			
At beginning of the year	14	<u><b>373,473</b></u>	<u>62,228</u>
<b>At end of the year</b>	14	<u><b><u>43,708,552</u></b></u>	<u><u>373,473</u></u>

## 1. Administration expenses

	2007	2006
	US\$	US\$
Directors remuneration	139.841	-
Wages & Administrator	300.424	90.313
Lease expenses	204.792	99.152
VAT, taxes & duties	66.922	17.307
Management fee	1.751.944	198.007
Public group expenses	191.247	-
Transaction costs	96.645	138.735
Office expenses	349.844	125.677
Bad debts expenses	-	134.007
Accounting fees	380.111	311.389
Legal fees	159.743	314.413
Travelling expenses	505.168	497.344
Marketing fees	2.938	30.973
Consulting fees	495.848	-
Litigation	(230.000)	1.510.000
Other expenses	75.069	50.964
Depreciation	85.526	14.316
	<u>4.576.062</u>	<u>3.532.597</u>

## 2. Profit before tax

	2007	2006
	US\$	US\$
Profit before tax is stated after charging the following items:		
Depreciation of property, plant and equipment (Note 13)	85.526	14.316
Staff costs including directors in their executive capacity	<u>440.265</u>	<u>90.313</u>

## 3. Stock based compensation for directors

### Share Option for Directors

On 25 July, 2007, the Company adopted a share option scheme for each of the Directors as at that date. Under the Option scheme, which was approved by the members on 31 March 2008, each director is entitled to subscribe for 263.158 Ordinary shares exercisable as set out below:

	Exercise Price	Amount of
	US\$	Shares
Exercisable from admission of the Company to AIM till 1 August 2017	0,57	175.439
Exercisable from 1st anniversary to AIM till 1 August 2017	0,83	87.719

On 12 October, 2007, the Company adopted a share option scheme for its Director Franz M. Hoerhager which entitles him to subscribe for 182.917 Ordinary shares exercisable as set out below:

	Exercise Price	Amount of
	US\$	Shares
Exercisable immediately after the Appointment till 1 August 2017	0,40	121.929
Exercisable from 1st anniversary to AIM till 1 August 2017	0,50	60.988

If a director resigns from the Board any unvested options lapse, unless the Directors resolve otherwise.

The above options were approved, verified and adopted in every respect by the members of the Company in General Meeting on 31 March 2008.

#### 4. Shareholder Warrants

##### Founding Shareholder Warrants

The Board of Directors approved the issue of warrants to the Founding Shareholders of the Company, entitling them to subscribe at par value per ordinary share, for such a number of ordinary shares which when multiplied by US\$0.57 equals 100% of the difference between the market value of the Company's interest in its Investment Portfolio at the date of Admission to AIM (1 August 2007) and six months following admission to AIM (1 February 2008), net of direct project cash costs, and net gain proceeds from the sale of Tarasovskaya project.

The Board of Directors have approved the valuation of the Investment Portfolio of February 2008 of the Company at 31 March 2008.

The exercise date of the warrants is within 30 days of the Board approval and announcement of the number of warrants to be issued to the Founding Shareholders.

##### Tudor BVI Global Portfolio Ltd Warrants

The Company granted to a shareholder, Tudor BVI Global Portfolio Ltd, warrants to subscribe for 10,937,500 Ordinary shares at the exercise price of US\$0.64 per share.

The exercise day is within 30 days following the first anniversary of admission to AIM (1 August 2008).

The above warrants were approved, verified and adopted in every respect by the members of the Company in General Meeting on 31 March 2008.

#### 5. Finance costs

	2007 US\$	2006 US\$
Net foreign exchange transaction losses	158.521	12.404
Interest payable	-	33.642
	<u>158.521</u>	<u>46.046</u>

#### 6. Profit from investing activities

	2007 US\$	2006 US\$
Profit from sale of investments in subsidiaries	1,210,492	-
Interest income	695,072	-
	<u>1,905,564</u>	<u>-</u>

The profit from sale of investment in subsidiary arose from the sale of LLC Aisi Taurus.

#### 7. Tax

	2007 US\$	2006 US\$
Corporation tax - current year	233,544	77,462
Defence contribution - current year	76,356	-
Deferred tax – charge (Note 21)	1,989,672	4,433,641
Charge for the year	<u>2,299,572</u>	<u>4,511,103</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2007 US\$	2006 US\$
Profit before tax	<u>4,980,887</u>	<u>10,576,003</u>
Tax calculated at the applicable tax rates	1,245,222	2,644,000
Deferred tax asset not recognised	127,006	883,522
Defence contribution current year	76,356	-
Other movements in deferred tax	<u>850,988</u>	<u>983,581</u>
Tax charge	<u>2,299,572</u>	<u>4,511,103</u>

## 8. Earnings and net assets per share attributable to equity holders of the parent

### Weighted average number of ordinary shares

#### *Weighted average number of ordinary shares*

	2007 <i>Number</i>	2006 <i>Number</i>
Issued ordinary shares capital at 1 January	26,293,717	3,675,000
Ordinary shares	<u>139,898,112</u>	<u>22,618,717</u>
Issued Ordinary shares capital at 31 December	<u>166,191,829</u>	<u>26,293,717</u>
Weighted average number of ordinary shares	<u>119,813,838</u>	<u>13,925,805</u>
Diluted weighted average number of ordinary shares	<u>119,813,838</u>	<u>13,925,805</u>

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

#### *Basic, diluted and adjusted earnings per share*

	2007 <i>Profit after tax US\$</i>	2007 <i>Earnings per share US\$</i>	2006 <i>Profit after tax US\$</i>	2006 <i>Earnings per share US\$</i>
Basic	2,555,372	0.02	3,252,009	0.23
Diluted	2,555,372	0.02	3,252,009	0.23
Market value of investment property under construction	9,427,865	0.08	-	-
Deferred tax on revaluation of investment properties	6,423,313	0.05	4,433,641	0.32
Ligation accrual	-	-	1,510,000	0.11
Minority interest, net	600,165	0.00	700,000	0.05
Adjusted	<u>19,006,715</u>	<u>0.16</u>	<u>9,895,650</u>	<u>0.71</u>

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

## Net assets per share

<i>Net assets per share</i>	2007 <i>Net assets</i>	2007 <i>Number of shares</i>	2007 <i>Net assets per share</i>	2006 <i>Net assets</i>	2006 <i>Number of shares</i>	2006 <i>Net assets per share</i>
Basic	99,665,892	166,191,829	0.60	15,666,891	26,293,717	0.60
Diluted	99,665,892	166,191,829	0.60	15,666,891	26,293,717	0.60
Deferred tax on revaluation of investment properties	6,423,313	166,191,829	0.04	4,433,641	26,293,717	0.17
Market value of investment property under construction	9,427,865	166,191,829	0.06		26,293,717	-
Litigation accrual				1,510,000	26,293,717	0.06
Minority interest	600,165	166,191,829	0.00	700,000	26,293,717	0.03
Adjusted	<u>116,117,235</u>	<u>166,191,829</u>	<u>0.70</u>	<u>22,310,532</u>	<u>26,293,717</u>	<u>0.85</u>

## 9. Property, plant and equipment

	Leasehold	Citylights	Motor vehicles	Furniture, fixtures and equipment	Software and hardware	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Cost</b>						
Additions	-	-	66.265	12.275	-	78.540
<b>At 31 December 2006/ 1 January 2007</b>	-	-	<b>66.265</b>	<b>12.275</b>	-	<b>78.540</b>
Additions	42.017	99.542	77.178	58.130	39.618	316.485
<b>At 31 December 2007</b>	<b>42.017</b>	<b>99.542</b>	<b>143.443</b>	<b>70.405</b>	<b>39.618</b>	<b>395.025</b>
<b>Depreciation</b>						
Charge for the year	-	-	11.053	3.069	-	14.122
<b>At 31 December 2006/ 1 January 2007</b>	-	-	<b>11.053</b>	<b>3.069</b>	-	<b>14.122</b>
Charge for the year	7.003	29.863	23.501	15.255	9.905	85.527
<b>At 31 December 2007</b>	<b>7.003</b>	<b>29.863</b>	<b>34.554</b>	<b>18.324</b>	<b>9.905</b>	<b>99.649</b>
<b>Net book amount</b>						
<b>At 31 December 2007</b>	<b>35.014</b>	<b>69.679</b>	<b>108.889</b>	<b>52.081</b>	<b>29.713</b>	<b>295.376</b>
<b>At 31 December 2006</b>	<b>-</b>	<b>-</b>	<b>55.212</b>	<b>9.206</b>	<b>-</b>	<b>64.418</b>

## 10. Property under construction

	2007	2006
	US\$	US\$
At 1 January	-	-
Transfer from investment properties	6.124.000	-
Construction costs	598.135	-
At 31 December	<u>6.722.135</u>	<u>-</u>

## 11. Investment properties

	2007	2006
	US\$	US\$
At 1 January	25.176.948	-
Additions	6.000.001	10.481.808
Disposals	(2.413.334)	-
Transfer to property under construction	(6.124.000)	-
Investment property related costs	2.489.783	585.053
Revaluation gain on investment property	7.700.602	14.110.087
At 31 December	<u>32.830.000</u>	<u>25.176.948</u>

On acquisitions dates and as at December 31, 2007, the property was valued by DTZ Kiev B.V ("DTZ"), an external valuer. All valuations were carried out by appropriately qualified valuers. The valuers' opinion of the Market Value of each property has been primarily derived using comparable recent market transactions on an arm's length basis and an estimate of the future potential net income generated by use of the properties because their specialised nature means that there is no market based evidence available.

Project related prepayments include advances for contractors and consultants on works preceding development of properties.

In May 2007 the Group sold its interest in Tarasovskaya project. In October 2007 the Group obtained building permit for one of its projects which was reclassified from Investment Property to in Property under development according to IAS 40.

## 12. Intangible assets

	Advertising rights US\$	Total US\$
<b>Cost</b>		
Additions	<u>1.999.388</u>	<u>1.999.388</u>
<b>Net book amount</b>		
At 31 December 2007	<u>1.999.388</u>	<u>1.999.388</u>

### 13. Trade and other receivables

	<b>2007</b>	2006
	<b>US\$</b>	US\$
Trade receivables	<b>19.714</b>	-
Advances for investments	<b>13.096.473</b>	-
Receivables from related companies	-	120.000
Deposits and prepayments	<b>205.406</b>	87.286
VAT and other taxes receivable	<b>604.832</b>	135.102
Contractors advances	<b>9.280.211</b>	-
	<b><u>23.206.636</u></b>	<u>342.388</u>

In October 2007, the Group entered into a Preliminary agreement with the intention to subsequently enter on a Definitive Agreement for the purchase of all the equity of an English property holding Group. A condition precedent for concluding the above Agreement is the receipt of a satisfactory due diligence report on compliance on UK and Ukrainian legislation. As part of this transaction the Group has signed an Escrow Agreement and deposited US\$1 million with the Bank of Cyprus who is acting as a Custodian in this transaction.

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

### 14. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	<b>2007</b>	2006
	<b>US\$</b>	US\$
Cash at bank and in hand	<b>43.708.552</b>	373.473
	<b><u>43.708.552</u></b>	<u>373.473</u>

## 15. Share capital

	2007 Number of shares	2007 Share Capital US\$	2007 Share Premium US\$	2006 Number of shares	2006 Share Capital US\$	2006 Share Premium US\$
<b>Authorised</b>						
Ordinary shares of CY£0.01 each converted into EUR0.01 each	<u>875.000.000</u>	<u>-</u>	<u>-</u>	<u>500.000.000</u>	<u>-</u>	<u>-</u>
<b>Issued and fully paid</b>						
At 1 January	15.024.981	332.508	14.288.867	21.000	42.000	2.058.000
Issue of shares	94.879.365	1.548.584	78.395.063	12.924.981	290.508	12.230.867
Conversion of shares	<u>56.287.483</u>	<u>-</u>	<u>-</u>	<u>2.079.000</u>	<u>-</u>	<u>-</u>
At 31 December	<u>166.191.829</u>	<u>1.881.092</u>	<u>92.683.930</u>	<u>15.024.981</u>	<u>332.508</u>	<u>14.288.867</u>

During the year the following increases in the issued share capital of the Company took place:

	Number of shares	Issued Price US\$
2 March 2007	45.000.000	1,00
Conversion into Euro (Note 14.1)	-	-
22 June 2007	10.937.500	0,64
24 July 2007	50.210.601	0,66

### 15.1 Conversion into Euro

On 30 April 2007, the nominal share capital of the Company was converted into EUR8.75 million divided into 875 million new ordinary shares of EUR0.01 each by the cancellation of the existing ordinary shares and the issuance of 7 new ordinary shares for every 4 ordinary shares held at the above date by the shareholders of the Company.

## 16. Obligations under finance leases

	Minimum lease payments 2007 US\$	Interest 2007 US\$	Principal 2007 US\$	Minimum lease payments 2006 US\$	Interest 2006 US\$	Principal 2006 US\$
Less than one year	42.936	19.241	23.695	8.878	2.932	5.946
Between two and five years	<u>103.893</u>	<u>9.438</u>	<u>94.455</u>	<u>48.966</u>	<u>7.372</u>	<u>41.594</u>
	<u>146.829</u>	<u>28.679</u>	<u>118.150</u>	<u>57.844</u>	<u>10.304</u>	<u>47.540</u>

All lease obligations are denominated in United States Dollars.

The fair values of lease obligations approximate to their carrying amounts as presented above.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

## 17. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11). The applicable corporation tax rate in the case of tax losses is 10%.

The movement on the deferred taxation account is as follows:

### Deferred tax liability

	Fair value gains on investment property US\$	Total US\$
Balance - 1 January 2006	-	-
Charged / (credited) to:		
Income statement (Note 11)	4.433.642	4.433.642
<b>At 31 December 2006/ 1 January 2007</b>	<b>4.433.642</b>	<b>4.433.642</b>
Charged / (credited) to:		
Income statement (Note 11)	1.989.672	1.989.672
<b>At 31 December 2007</b>	<b>6.423.314</b>	<b>6.423.314</b>

## 18. Trade and other payables

	2007 US\$	2006 US\$
Capital raising fees due	-	338.748
VAT and other taxes payable	167.775	-
Audit and accounting fees due	252.840	105.000
Accruals	240.571	151.001
Other creditors	300.208	140.550
Litigation accrual	-	1.510.000
Payables to related companies (Note 24)	746.645	608.824
	<u>1.708.039</u>	<u>2.854.123</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

## 19. Current tax liabilities

	2007 US\$	2006 US\$
Special contribution for defence	92.639	77.461
	<u>92.639</u>	<u>77.461</u>

## 20. Related party transactions

The following transactions were carried out with related parties:

### 20.1 Management fees

	2007 US\$	2006 US\$
Aisi Capital LLC	1.751.944	186.100
	<u>1.751.944</u>	<u>186.100</u>

## 20.2 Payables to related parties (Note 22)

<u>Name</u>	<u>Nature of transactions</u>	<b>2007</b> US\$	2006 US\$
Aisi Capital LLC	Trade	<b>233.400</b>	427.927
Former shareholders of the acquired companies		<b>513.245</b>	116.745
Services outsourced to administrator		-	50.141
Others		-	14.011
		<b><u>746.645</u></b>	<u>608.824</u>

## 21. Contingencies

The Group is a party to a litigation matter related to complaints filed by the Group's former employee. As at 31 December 2007 there were several litigation cases which indirectly involve Aisi Realty Public Limited as a shareholder of Aisi Taurus LLC and Aisi Ukraine LLC. Since the outcome of this litigation and the range of any possible loss cannot be estimated, no accrual has been in the Group's financial statements. Management does not believe the results of legal proceedings will have a material effect on the Group's financial position or results of operations.

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

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

A number of the land leases are held for relatively short term and place an obligation upon the lessee to commence development prior to expiration date of the lease agreement. In the event that a development has not commenced upon the expiry of a lease the City Authorities are entitled not to extend lease agreement on the basis that the land is not used in accordance with its designation. Furthermore, in order to extend lease agreement all necessary permissions and consents for development have to be presented to the authorities. However the management believes that the possibility of such action is remote and was made only under limited circumstances in the past. In undertaking the valuations reported herein, DTZ Kiev have made the assumption that no such circumstances will arise to permit the City to rescind the land lease or to not grant a renewal.

## 22. Commitments

### Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>2007</b> US\$	2006 US\$
Within one year	<b>310.968</b>	144.116
Between one and five years	<b>441.185</b>	592.878
After five years	<b>42.945</b>	57.260
	<b><u>795.098</u></b>	<u>794.254</u>

### **23. Post balance sheet events**

In December 2007 the Company entered into 2 preliminary agreements for the acquisition of 80% of the charter capital of two Ukrainian Companies, for the total consideration of US\$4.8 million and US\$3.12 million respectively. Subject to conditions precedent the Company expects to complete those acquisitions by mid 2008.

In accordance with the Annual General Meeting held on 3 March 2008, the directors express their plans to increase the Share Capital of the Company in the near future.