WAYMORE HOLDINGS PUBLIC LIMITED

CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2007

Together with Independent Auditor's Report

Contents:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 4, is made with a view to distinguishing the respective responsibilities of management of WAYMORE HOLDINGS PUBLIC LIMITED (further – the Group) and those of the independent auditors in relation to the consolidated and combined financial statements of the Group.

The Group's Management is responsible for the preparation of the consolidated and combined financial statements that present fairly, in all material aspects the financial position of the Group as at 31 December 2007 on consolidation and combination basis and cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated and combined financial statements, the Group's management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRS and disclosure of all material departures in the Notes to consolidated and combined financial statements;
- Preparing the consolidated and combined financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated and combined financial statements of the Group comply with IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The Group's consolidated and combined financial statements of the group for 2007 had been approved by its Management on April 14, 2008:

General Director ______________________ Torskiy I.M.

BDO Balance-Audit

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of WAYMORE HOLDINGS PUBLIC LIMITED

We have audited the accompanying consolidated and combined financial statements of the company WAYMORE HOLDINGS PUBLIC LIMITED and its subsidiaries (hereinafter referred to as the "Group") including consolidated and combined balance sheet as at December 31, 2007, consolidated and combined income statement, consolidated and combined statement of changes in equity and consolidated and combined cash flow statement for the year then ended as well as significant accounting policies and other explanatory notes herein.

Management's Responsibility for the Financial Statements

The Group's Management is responsible for the preparation and fair presentation of these consolidated and combined financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and combined 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated and combined financial statements present fairly, in all material aspects, the financial position of the Group as of December 31, 2007 as well as its financial results and cash flows for the year then ended, according to the International Financial Reporting Standards.

Kiev, April 14, 2008

LLC AF "BDO Balance-Audit"

Managing Partner	International Partner
Auditor's certificate # 000046, A Series	CPA
Balchenko S.A.	Soren D.K. Sorensen

Товариство з обмеженою відповідальністю "Аудиторська фірма "БДО Баланс-Аудит" м. Дніпропетровськ БДО БАЛАНС-АУДИТ №2 20197074 УКРАЇНА

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WAYMORE HOLDINGS PUBLIC LIMITED

CONSOLIDATED AND COMBINED BALANCE SHEET

For the year ended December 31, 2007
(000'USD)

	Notes	2007	2006
		USD'000	**USD'000**
Assets			
Non-current assets			
Capital investments, fixed and intangible assets	8	**241,708**	3,916
Investment property	9	**18,866**	2,115
Financial investments		**36**	103
Goodwill		**738**	-
Deferred tax assets	14	**-**	538
		261,348	**6,672**
Current assets			
Inventories	10	**2,858**	1,143
Trade and other accounts receivable	11	**14,286**	6,612
Cash and cash equivalents		**2,741**	74
		19,885	**7,829**
		281,233	**14,501**
Equity and liabilities			
Equity			
Share capital of a parent company	12	**67**	54
Share premium	12	**38,584**	-
Revaluation surplus		**119,358**	-
Accumulated profit		**53,275**	198
Unpaid capital		**(17)**	(22)
		211,267	**230**
Minority interest		**55,647**	(28)
		266,914	**202**
Liabilities			
Long-term liabilities			
Financial lease obligations	13	**779**	-
Deferred tax liabilities	14	**920**	-
		1,699	**-**
Current liabilities			
Credit and loans	15	**1,726**	6,470
Trade and other payables	16	**10,894**	7,829
		12,620	**14,299**
		14,319	**14,299**
		281,233	**14,501**

Notes set out on pages 10 – 35 are the integral part of these consolidated and combined financial statements.

Signed on behalf of the Group's management on April 14, 2008.

General director ______________________ Torskiy I.M

WAYMORE HOLDINGS PUBLIC LIMITED

CONSOLIDATED AND COMBINED INCOME STATEMENT

For the year ended December 31, 2007
(000'USD)

	Notes	2007	2006
		USD'000	**USD'000**
Income	17	**7,625**	3,448
Other income		**389**	82
Changes in finished goods and work in process stock		**1,035**	779
Raw and materials		**(4,928)**	(3,289)
Remuneration expenses	18	**(586)**	(228)
Depreciation charges		**(223)**	(190)
Other expenses	19	**(2,580)**	(876)
Income from company acquisition		**41,373**	-
Change of fair value of the investment property		**14,438**	-
Operating result		**56,543**	**(274)**
Financial income (expenses), net	20	**(695)**	(456)
Profit before taxes		**55,848**	**(730)**
Income tax revenue (expenses)	21	**(1,685)**	232
Profit for the period		**54,163**	**(498)**
Related to:			
Shareholders		**53,077**	**(423)**
Minority interest		**1,086**	**(75)**

Notes set out on pages 10 – 35 are the integral part of these consolidated and combined financial statements.

Signed on behalf of the Group's management on April 14, 2008.

General director ______________________ Torskiy I.M

WAYMORE HOLDINGS PUBLIC LIMITED

CONSOLIDATED AND COMBINED CASH FLOW STATEMENT

For the year ended December 31, 2007
(000'USD)

	2007 USD'000	2006 USD'000
Operating activity		
Net profit	**54,163**	(498)
Adjustments to:		
Income tax expenses	**1,685**	(232)
Amortization	**223**	190
Loss (profit) from operating activity	**(468)**	(206)
Change of fair value of the investment property	**(14,438)**	-
Income from companies acquisition	**(41,373)**	
Interest expenses	**963**	460
Changes in working capital:		
Trade and other accounts receivable	**(8,081)**	(3,453)
Inventory	**(1,213)**	(941)
Current liabilities	**(1,823)**	3,961
Interest paid	**(900)**	(460)
Income tax paid	**(250)**	(52)
Extraordinary payments	**-**	-
Net cash flow from operating activity	**(11,512)**	**(1,231)**
Investment activity		
Receipts from sale of financial investments	**103**	465
Receipts from sale of non-current assets	**4,793**	136
Acquisition of investment property, fixed and intangible assets	**(14,180)**	(3,758)
Acquisition of financial investments	**(103)**	(75)
Acquisition of companies	**(10,654)**	-
Interest received	**269**	3
Net cash flow from investment activity	**(19,772)**	**(3,229)**
Financial activity		
Receipts of credits and loans	**8,717**	5,297
Capital receipt	**38,602**	-
Repayment of credits and loans	**(13,368)**	(838)
Net cash flow from financial activity	**33,951**	**4,459**
Net cash flow for the period	**2,667**	(1)
Cash at the beginning of period	**74**	75
Cash at the end of period	**2,741**	**74**

Notes set out on pages 10 – 35 are the integral part of these consolidated and combined financial statements.

Signed on behalf of the Group's management on April 14, 2008.

General director ______________________ Torskiy I.M

WAYMORE HOLDINGS PUBLIC LIMITED

CONSOLIDATED AND COMBINED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2007
(000'USD)

	Share capital	Unpaid capital	Share premium	Revaluation surplus	Retained earnings	Total	Minority interest	Total
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Balance as at January 1, 2006	**143**	**(119)**	**-**	**-**	**621**	**645**	**31**	**676**
	-	-	-	-	-	-	-	-
Contributions to the Statutory fund	15	(7)	-	-	-	8	-	8
Elimination of statutory funds of combined companies	(104)	104	-	-	-	(0)	-	(0)
Acquisition of minority interest	-	-	-	-	-	-	16	16
Profit for the period	-	-	-	-	(423)	(423)	(75)	(498)
Balance as at December 31, 2006	**54**	**(22)**	**-**	**-**	**198**	**230**	**(28)**	**202**
					(0)			
Contributions to the statutory fund	60	(15)	38,584	-	-	38,629	-	38,629
Elimination of the statutory fund of TKC-Management	(8)	4	-	-	-	(4)	-	(4)
Elimination of statutory funds of combined companies	(39)	16	-	-	-	(23)	-	(23)
Revaluation surplus	-	-	-	119,358	-	119,358	25,679	145,037
Acquisition of minority interest	-	-	-	-	-	-	(5,005)	(5,005)
Companies acquisition	-	-	-	-	-	-	33,915	33,915
Profit for the period	-	-	-	-	53,077	53,077	1,086	54,163
Balance as at December 31, 2007	**67**	**(17)**	**38,584**	**119,358**	**53,275**	**211,267**	**55,647**	**266,914**

Notes set out on pages 10 – 35 are the integral part of these consolidated and combined financial statements.

Signed on behalf of the Group's management on April 14, 2008.

General director ______________________ Torskiy I.M

1. BACKGROUND

WAYMORE HOLDINGS PUBLIC LIMITED (further – the Company), was incorporated in June 2007 in accordance with legislation of Cyprus Republic, registration number HE 201613, location: Cyprus Republic, Nicosia, 1, Lampusas St.

The Company's activity is aimed at the management of companies (projects) involved in construction of dwelling, business real-estate and receiving their revenue from sale and lease of the above objects. The companies (projects) are located in Ukraine.

In 2007 the Company acquired controlling interest (shares) of these companies through the Ukrainian holding LLC TKC-Management (hereinafter referred together as the Group). Vertically-integrated organizational structure of the Group's business enables to use own construction and project capabilities. Internal departments make up to 80% of the project cost.

Till December 2006 the Group was structurally combined in the framework of one legally incorporated holding. As the Group was formed, the control over the companies included in the Group's operating structure, was performed by individuals, who were founders in 2003-2006 or acquired shares in the companies and registered them under their names or the names of individuals under their control (hereinafter referred together as the Controlling Team).

At the end of 2007 the Group was comprised of the following companies:

Company	Country of incorporation	2007 Share of ownership,%	2006 Share of ownership,%
LLC TKC-Management	Ukraine	100%	100%
Moll-Center	Ukraine	100%	100%
LLC Business-Progress	Ukraine	100%	100%
LLC Volyn-Center	Ukraine	100%	100%
LLC Hotelbud	Ukraine	100%	100%
LLC Grand-Elite	Ukraine	50%	-
LLC Delax-Plus	Ukraine	100%	100%
LLC Investments and consulting	Ukraine	100%	50%
LLC Elite	Ukraine	75%	-
LLC Kurortenergoinvest	Ukraine	100%	100%
LLC TKC-Eurobud	Ukraine	100%	100%
LLC Levy mista	Ukraine	50%	-
LLC Budivelniy alyance 2007	Ukraine	100%	-
LLC Semix	Ukraine	100%	100%
LLC Knyagynya Olga	Ukraine	61%	-
LLC Investnovator	Ukraine	100%	-
OJSC Modern technologies	Ukraine	100%	-
LLC Evroprostir	Ukraine	100%	100%
SC WEstbud	Ukraine	100%	-
SC Grand	Ukraine	100%	100%
SC Leader	Ukraine	100%	-
SC Status	Ukraine	100%	-
SC Beton # 1	Ukraine	100%	100%
SC Business-Plus	Ukraine	100%	100%
SC Lux	Ukraine	100%	-
SC Merkuriy	Ukraine	100%	-
SC Pomirki	Ukraine	100%	-
SC Spectr	Ukraine	100%	-
SC TKC-Zhitlo	Ukraine	100%	-
SC Transport	Ukraine	100%	100%
SC Kontur	Ukraine	100%	-
SC Lvovbud	Ukraine	100%	-
SC Budivnitstvo	Ukraine	100%	100%
SC Etalon Prikarpatye	Ukraine	100%	-

The companies included in the group perform one to three profile projects. Furthermore the companies providing construction, designing and transportation services comprise the Group. As at December 31, 2007 the Group realizes the following projects:

Project	Year of commissioning of a facility	Plottage, hectares	Total area, square meters
Residential real estate			
Residential complex, Lvov	2010	3.32	23,300
Cottage complex, Lvov	2010	67.00	18,000
Condominium "Lesnaya pesnya", Truskavets	2009	0.67	20,800
Condominium 2, Truskavets	2009	1.90	18,800
Apart-hotel "Berezka", Truskavets	2009	0.26	12,400
Cottage complex, Truskavets	2009	12.96	10,600
Residential complex 2, Lvov	2009	0.26	17,000
Commercial real estate			
Trade center 2, Lvov	2009	4.50	67,000
Trade center 1, Lvov	2009	1.70	22,500
Office center, Lvov	2009	1.70	7,500
Trade center "Megamarket TKC", Truskavets	Commissioned in 2005	0.47	6,600
Trade center "Na pole", Truskavets	2008	0.15	1,500
Apartments, Truskavets	2008	0.60	5,000
Trade center "Matador", Drogobych	Commissioned in 2007	0.68	3,500
Trade center 2, Drogobych	2008	2.25	13,000
Trade center, Novovolynsk	2008	2.26	8,600
Trade center, Boryslav	2008	0.90	2,900

2. ECONOMIC ENVIRONMENT IN UKRAINE

Ukraine is still experiencing political and economic changes that affected and may continue to affect activity of entities operating in such circumstances. Consequently the economic situation in Ukraine is associated with risks usually not inherent to other markets. These consolidated financial statements reflect current management's estimations with respect to probable effect of the economic situation in Ukraine upon the Group's activity and financial position. In future the economic situation may differ from the management's estimations. Effect of these differences on activity and financial position may be significant.

3. BASES OF PRESENTATION

3.1. Compliance statement

Present consolidated and combined financial statements have been prepared according to the International Financial Reporting Standards (IFRS) in force on 31 December 2007.

These consolidated and combined financial statements represent the first full package of the Group's consolidated and combined financial statements prepared under IFRS. The Group has adopted amended version of IFRS effective for the accounting period started January 1, 2007.

Previously the Group did not prepare its consolidated and combined financial statements. Correspondently, these IFRS consolidated and combined financial statements do not present reconciliation with previous financial statements prepared according to the National Accounting Regulations of Ukraine.

3.2. Basis of measurement

Subsidiaries of the Group prepare their reporting in accordance with the Ukrainian legislation. These consolidated and combined financial statements have been prepared based on this reporting with amendments and adjustments of classification for the purpose of fair presentation of the information in accordance with IFRS requirements. These adjustments, where necessary are included in the Parent's financial statements to bring the reporting to conformity with IFRS.

These consolidated and combined financial statements have been prepared based on the accrual and historical cost principles. Cases of deviations from the above principles are disclosed in relevant Notes to the consolidated and combined financial statements.

In practice the essence of operation and other circumstances does not always comply with their legal form. The Group has organized and maintains its records and presents its transactions and other events not only in accordance with their legal form, but also according to their economic substance.

3.3. Functional and presentation currency

The Group's subsidiaries keep their records in Ukrainian hryvnia as required by the National Accounting Regulations of Ukraine. However, the Group deems that more expedient to use US dollar as a presentation currency. Functional and presentation currency of the parent company is US dollar.

Assets and liabilities denominated in currency other than USD are translated into USD in accordance with the official exchange rate of NBU at the reporting date. Income and expenses in currencies other than USD are translated into USD at the yearly average weighted rate. Exchange profit or loss from these transactions is reported in Income statement.

Exchange rate differences with respect to a cash item that constitutes a part of net investment of a reporting entity in foreign activity are to be recognized in profit or loss in separate financial statements of the reporting entity or individual financial statements of foreign activity as applied to circumstances. In financial statements that involve foreign activity and a reporting entity (for instance, in consolidated financial statements where foreign activity is carried out by a subsidiary) these exchange rate differences should be initially recognized in separate component of the equity as well as in profit or loss upon the net investment retirement.

USD exchange rate towards Ukrainian hryvnia applied during the preparation of these consolidated and combined financial statements as at December 31 is stated in the table below:

Currency	2007	2006
US dollar	5.050	5.050

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN THE ACCOUNTING POLICY APPLICATION

The preparation of the IFRS consolidated and combined financial statements requires the management to make various estimations, judgments and assumptions that affect application of the accounting policy and reporting values of the assets and liabilities as well as income and expenses. These assessments and resulted judgments are based on past experience of the management as well as other factors, which are considered to be grounded in existing circumstances. Their results make a basis for judgments as to the carrying amount of assets and liabilities, which cannot be found in other sources. Despite the fact that these assessments are based upon management's knowledge of current events and actions actual results might differ from them. The most significant estimations and assumptions are set forth below:

- **Operating lease commitments** – The Group is a lessor. The Group had entered into commercial real estate lease agreements accounted for in the investment property portfolio. The Group determined that it retains all substantial risks and rewards associated with the ownership and, therefore, it applies to these agreements the accounting manner established for the operating lease agreements.

- **Construction in progress – investment cost under construction.** The Group decided to use the accounting model at fair value since is deems it possible to receive reliable estimates. Property under construction, land (including rights for land received for the operating lease in order to build investment property items) is primarily recognized at the historical cost and revaluated at the reporting date at the fair value measured by outside independent appraisers. According to IFRS 16 "Property, plant and equipment" income and expense arising due to the change of the property under construction fair value, is accounted for in equity. When the item is completed the property under construction intended for receipt of future inflows from rental payments and accretion to the capital gain id transferred to the investment cost.

- **Accounts and promissory notes receivable and advances paid to suppliers.** The Management believes that probability of collecting the accounts and promissory notes receivable as well as advances paid to suppliers is based upon separate calculations analysis. The factors considered include analysis of receivables age compared to terms of loans extended to clients as well as financial position and past amounts charged from a client. In case factual charges are lower than the management's estimations the Group should account for additional expenses on cost reduction.

- **Tax accrual.** The Management evaluates contingent taxes and penalties based on probability of these taxes and penalties payment and applying effective requirements of tax bodies. Accruals are kept until the expiration of exercise of right to perform tax inspections by the tax bodies (usually comprising three years) or less in case the tax body made such a decision while moot cases are lacking. Factual payments depend upon ability of tax bodies to dispute existing regulation and interpretation methods with respect to the tax legislation in force and changes therein. Whenever tax bodies' interpretations differ from those of the Group's Management the Group should account for additional taxes and penalties.

- **Deferred tax liabilities.** The management intends to sell Ukrainian subsidiaries in the near future. Due to this fact the Group's management believes that the Parent company - Waymore Holdings Public Limited does not have any taxable profit. Correspondently, the Company does not report in its consolidated and combined financial statements deferred tax liabilities arising if Ukrainian subsidiaries during revaluation of the investment property at the rate 25 %. Waymore Holdings Public Limited had been incorporated in Cyprus Republic where the tax on share or securities sale is not charged. In opinion of the Group's management deferred tax liabilities will not be realized during revaluation of the investment property.

- **Non-accrual of provision for retirement payments**. The management determined that lump sum retirement payments to employees are not legal or traditional (resulting from business practice) commitments of the Group. Therefore, there was no provision for these payments made.

5. SIGNIFICANT ACCOUNTING POLICIES

During preparation of these consolidated and combined financial statements the following significant accounting policies were applied on a regular basis.

5.1. Inclusion of subsidiaries and associates into the consolidated financial statements of the company

i. Consolidation up to 2007

The Group's consolidated and combined financial statements include reporting of the companies under common control of the Controlling team as a result of direct or indirect ownership of majority interest (shares). Up to December 2006 there was no formal legal and organizational structure of the Group, which would have allowed to perform full consolidation at the acquisition principle. However, the Group's companies performed their activities as a sole organization (sole business direction). The management believes that consolidated (combined) financial statements should be presented with respect to all companies under common control as at December 31, 2006 in order to present fairly the financial position and financial results of the Group's activity.

Combination of the Group's companies in 2006 was performed by simple addition of assets, equity and liabilities at the reporting dates with separation of the minority interest. Income and expense was included in the combined financial statements from the date of the company acquisition by the Controlling Team.

Consolidation of subsidiaries is carried out from the date control was passed to the Group and is ceased from the date the control is ceased.

ii. *Subsidiaries*

Figures of the consolidated and combined financial statements include reporting of subsidiaries under the Group's control. Control is the power to govern financial and economic policies of a company in order to obtain benefits from its activity.

The Group's consolidated and combined financial statements reflect operational results of acquired subsidiaries since the control is established. Consolidation of subsidiaries is ceased from the date of a loss of the Group's control over these companies. Intragroup transactions as well as all related balances and non-realized profits have been eliminated. Non-realized losses are also eliminated except for the cases there are indications of transferred asset impairment. The accounting policies of subsidiaries have been amended when necessary in order to comply with the Group's accounting policy. Minority interest has been disclosed separately.

Accounting of subsidiaries' acquisition is carried out based on acquisition method. Acquisition cost is determined as the fair value of transferred assets, issued share financial instruments and undertaken or contingent liabilities at the transaction date plus direct acquisition costs. Transaction date is an acquisition date in case of acquisition by means of a single transaction or the date of each operation in case of acquisition by means of consistent share purchases.

iii. *Goodwill and minority interest*

Goodwill is an excess of the acquisition cost over the fair value of net assets, liabilities and contingent liabilities of a subsidiary or associate being acquired at the acquisition date. Goodwill is evaluated for possible impairment on a yearly basis and also when impairment indications exist. For the purposes of testing for impairment goodwill is reported in cash generating asset or group of assets productivity of which should grow as a result of cumulative impairment effect.

In case the company is acquired through more than one transaction any adjustment to the fair value related to the share of a company previously owned by the Group is accounted for as revaluation in the Group's equity. The revaluation is not performed during acquisition by the Group of additional minority share in subsidiaries.

Minority interest is the part of profit or loss and net assets of a subsidiary related to the share of participation in statutory capital, which does not belong directly or indirectly, through subsidiaries to a parent company. In accordance with the requirements of IFRS 3 "Business combinations" a buyer recognizes identifiable assets, liabilities and contingent liabilities of a company being acquired that comply with recognition criteria at their fair value at the acquisition date and any minority interest in the company being acquired is established in the amount of minority interest in net fair value of the above items.

iv. *Associates*

Associates are the entities in which the Group has significant effect rather than the control under their financial and economic policies. Associates are accounted for at the equity method.

The equity method provides for recognition in the consolidated and combined income statement of the Group's share in net profit (loss) of an associate for a year. Non-realized profits related to transactions between the Group and associates are eliminated in the amount complying with the Group's share in associates. Non-realized losses are eliminated as well except when transferred asset has impairment indications.

The Group's share in each associate is recognized in the consolidated and combined balance sheet in the amount comprising acquisition cost, goodwill at the transaction date and its share in profits and losses, as well as share in provisions changes since the acquisition, which are recognized in the equity. Respective provision is accrued for impairment of these investments.

Loss is derecognized during application of the equity method since the carrying amount of a financial investment in an associate equals to zero except for the cases the Group fulfills an associate's obligations or had issued guarantees to the associate's liabilities.

5.2. Intangible assets

Intangible assets acquired by the Group are accounted for at their cost net of amortization and impairment loss. The Group's goodwill and trade mark expenses are reported in the Income statement as expenses when incurred.

Additional expenses on assets are capitalized only if they increase future economic benefit related to a certain asset. All other expenses are recorded as expenses when incurred.

Amortization is carried out under the straight-line method during normal useful life of assets and reported in the Income statement. Below are estimated useful lives of assets:

Patents and trade marks	10 years
Software	5 years

i. *Revaluation*

Increase of intangibles cost is recognized directly in equity except for the cases when it compensates decrease occurred during previous revaluation and recognized in the consolidated Income statement. Then the increase is recognized in the consolidated Income statement. Reduction of intangibles cost during revaluation is recognized in the consolidated Income statement except for the cases it compensates increase occurred during previous revaluation and recognized directly in equity. Then the increase is recognized directly in equity.

5.3. Financial lease

Lease of property, plant and equipment when the Group retains substantially all risks and rewards normally associated with transfer of the right of property, is classified as financial lease. Assets under the financial lease are reported in the balance sheet in property, plant and equipment at the lease commencement at the least of fair value of leased property and stated cost of minimum rental payments.

Each rental payment is allocated between repayable amount of liabilities and financial expenses so that to achieve a permanent interest rate on non-repayable balance of the financial liability.

Corresponding rental payments net of financial expenses are reported in the consolidated and combined balance sheet as rental payments indebtedness.

Financial expense (interest) is accounted for in the consolidated and combined income statement in rental payments during the lease term so that to receive constant ratio of interest expenses and unpaid balance of the indebtedness.

5.4. Property, plant and equipment

Equipment is accounted for at actual cost except for current maintenance expenses and net of accumulated depreciation and accumulated impairment losses. The cost includes cost of spare parts for the equipment as these costs are incurred if capitalization criteria are met.

Land and premises are measured at the fair value net of depreciation related to premises and impairment accrued after the revaluation date.

Depreciation is calculated by the straight-line method during the whole useful life of an asset.

Revaluation is carried out rather frequently in order to provide a reasonable assurance that the fair value of revaluated asset does not differ significantly from its carrying amount.

Revaluation surplus is attributable to increase of revaluation assets fund that is included in capital of the balance sheet except when such surplus restores decreasing cost of this asset resulted from the previous revaluation if negative revaluation of such asset was recognized in the income statement. In the latter case increase of the asset's cost is recognized in the income statement. Loss from revaluation is recognized in the income statement except when loss directly decreases positive revaluation of the same asset that was previously recognized in the capital in the balance sheet. In the latter case negative revaluation is referred to decrease of fund of assets revaluation. Difference between amortization calculated on the basis of revalued carrying amount of an asset and amortization calculated on the basis of primary cost of an asset is transferred annually from fund of assets revaluation to retained earnings. Besides accumulated amortization at the revaluation date is excluded with simultaneous reducing gross carrying amount and then net amount surpluses to revaluated cost of the asset. During disposal of an asset the revaluation fund referred to certain asset sold is transferred to the retained earnings.

Estimated useful lives of assets are as follows:

Buildings and constructions	40-20 years
Machinery and equipment	7-6 years
Vehicles	7-6 years
Other	4 years

5.5. Investment property

Investment property is measured initially at cost, including acquisition, construction costs and other related expenses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the capitalization criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment property is stated at fair value reflecting market conditions at the reporting date. Income or loss from change of the fair value of the investment property is included in the Income statement for the reporting year it occurred.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the reporting year of retirement or disposal.

Transfers are made to the investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. 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.

To transfer from the investment property to an owner-occupied property or inventories with the property value for subsequent recognition the cost will be deemed as its fair value at the date of change in use. In case owner (Group)-occupied property becomes the investment property the Group accounts for this property in accordance with the accounting policy related to fixed assets before the date of change in use. Transferring from inventories to the investment property difference between the fair value of this property at this date and its previous carrying amount is reported in the Income statement. If the Group completes construction or development of the investment property built independently the difference between the property fair value at this date and its previous carrying amount is recognized in the Income statement.

Land parcels under the operating lease (including those where the investment property objects are located), are accounted for as an operating lease: in case advance payments are made within the operating lease of the land agreement, these advance payments are capitalized as long-term assets amortized during subsequent periods and reported as fixed annual expenses in the Income statement during the whole term of lease. These long-term assets are not revaluated.

5.6. Financial instruments

ii. Classification

Financial assets reported at the fair value in the Income statement are financial assets held for sale and assets intended for the fair value accounting in the Income statement as originated. Financial asset is subject to classification in this category if it was acquired mainly for sales purposes during short period, if the asset is a derivative or such a decision was made by the management.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. Loans and receivables include trade and other accounts receivable.

Assets held to maturity are non-derivative financial instruments with fixed or determinable payments and fixed maturity. The Group intends and has the ability to hold them to maturity.

Financial liabilities are any liabilities that are contractual ones for provision of cash or other financial assets or for financial instruments exchange with another entity provided that they are potentially passive.

iii. *Recognition*

The Group recognizes standard transactions of financial instruments purchase/sales on the transaction date. All other financial instruments are recognized whenever the Group becomes a contracting party with respect to this instrument.

iv. *Measurement and evaluation*

All financial assets at fair value through profit or loss are initially evaluated at the fair value. Any transaction costs are recognized directly in the Income statement. After the initial recognition all financial assets at fair value through profit or loss are measured at the fair value.

All other financial instruments are initially measured at their fair value that includes transaction cost reported directly in acquisition or result of a financial asset or financial liability.

All non-trade financial liability, loans and receivables as well as assets held to maturity are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts including initial cost of a transaction are included into the carrying amount of a relevant instrument and amortized based on effective interest rates for this instrument.

v. *Principles of the fair value measurement*

Fair value of financial instruments is based upon their quoted market price at the balance sheet date without any deductions to the transaction cost. In case it is not possible to establish a quoted market price the fair value of an instrument is assessed by means of pricing model or a discounted cash flow method.

Applying the discounted cash flow method assumptions about future cash flows are based on the management's estimations where discount rates are market rates at the balance sheet date for the instruments with similar terms and conditions. Applying the pricing model costs are based on relevant market estimations at the balance sheet date.

vi. *Profit and loss during further measurement*

Profits and losses arising during change of the fair value of financial instruments at fair value through profit or loss are included into the net profit.

vii. *Derecognition*

Financial asset is derecognized if the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all risks and rewards from the property. Financial liability is derecognized when repaid, i.e. when the contractual liability is stated as repaid, cancelled or expired.

5.7. Inventories

Inventories are stated at the lowest of cost or the net realizable value. The net realizable value is estimated selling price during the ordinary business activity net of estimated transaction and selling costs.

Cost of raw materials is calculated under the average-weighted cost and FIFO for restaurant business and includes expenses incurred during acquisition of the inventories and bringing them to current location and condition.

Work in process and finished goods are reported at cost. The cost includes cost of raw materials, remuneration of labor and production overhead expenses allocated proportionally to the inventory completeness stage.

5.8. Accounts receivable

Accounts receivable are reported at transaction cost net of provision for accounts receivable impairment. Provision is set in case there is an objective evidence that the Group will not be able to collect due amount within the terms stipulated by a contract. Factors to be considered are the analysis of age of trade accounts receivable vs. terms of loans provided to clients, together with the financial position and history of amounts charged to clients. In case factual charges are lower than the management's estimations, the Group should account for additional impairment cost.

5.9. Advances paid

Advances paid are reported at cost net of impairment losses.

5.10. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits subject to expiry within three months or earlier.

5.11. Impairment

Carrying amount of assets other than inventories, investment property and deferred tax assets are reviewed at each balance sheet date in order to reveal cost reduction indications. When such indications exist recoverable amount of an asset is evaluated.

Impairment losses are recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Losses from reduction of cost are reported in the Income statement.

viii. Recoverable amount

Recoverable amount of an asset is the highest from its fair value net of sales expenses and utilization value. During evaluation of the utilization value estimated cash flows, which might be generated by the asset are discounted to their current cost using discount rate before taxation that reflects current market estimations of time value of money and risks inherent to the asset. For assets not generating cash inflows and irrespective of cash flows to a greater extent the recoverable amount is determined for a cash generating unit to which this asset relates.

ix. Инверсия уменьшения стоимости

Losses from cost reduction with respect to loans, receivables or debt instruments classified as available for sale are reversed in case subsequent increase of the recoverable amount may relate to the event following recognition of losses from cost reduction. Reversion is recognized in the Income statement.

With respect to other assets losses from cost reduction are reversed only if indications that losses from the cost reduction can no longer exist have been revealed and estimations used for the recoverable amount determination have been changed.

Holding losses are reversed only in the part where the carrying amount of an asset does not exceed carrying amount that might have been determined less depreciation or amortization should holding losses have not been recognized.

5.12. Dividends

Dividends are reported as increase of accumulated deficit as it is declared.

5.13. Credits and loans

Credits and loans are primary recognized at cost net of any transaction costs. After the initial recognition credits and loans are accounted for at amortized cost with recognition of any differences between cost and recoverable amount in the Income statement during the whole loan period.

When buying out previously sold or repaid in advance loans any differences between paid amount and the carrying amount are recognized immediately in the Income statement.

5.14. Tax accruals

Tax accruals as well as relevant interest and penalties are recognized when mature in accordance with the laws passed or effective at the balance sheet date. Accruals are kept and updated as appropriate during the whole period relevant tax positions are subject to inspection by the tax bodies (usually three years from documents submission).

5.15. Pension obligations

The Group contributes to the Ukrainian pension fund, medical and social insurance funds for all its employees. These contributions are recorded in financial results in the period they were incurred.

The Company does not have any pension programs other then those of the Ukrainian State Pension System. This system requires current contributions made by an employer calculated as percentage from gross payroll. These expenses are reported in the Income statement in the period relevant salary amount was accrued. The Company does not have any additional retirement plans or other significant compensation programs which would require additional accruals.

5.16. Provision

Provision is recognized in the balance sheet whenever the Group has legal or contingent liability resulting from past events. It is probable that in order to settle this liability economic benefits outflow will be necessary. If the effect is significant provisions are determined by discounting expected future cash flows at the pre-tax rate that reflects current estimations of time value of money and, when appropriate, risks inherent to the liability.

5.17. Income tax

Yearly income tax includes current and deferred taxes. Income tax is recognized in the consolidated Income statement in the part related to items recognized directly in equity; in this case it is recognized in the equity.

Current income tax is an estimated tax payable to the taxable profit for a year calculated based on tax rates accepted or effective at the balance sheet date plus any income tax adjustments for the preceding year.

Deferred taxes are calculated using the balance sheet method with respect to temporary differences between carrying amount of assets and liabilities included into the financial statements and the amounts used for taxation purposes. The following temporary differences are not accounted for: non-taxable goodwill; initial recognition of assets and liabilities that affects neither the accounting income nor taxable income; investments in subsidiaries. Deferred income is calculated based on expected realization method or regulation of the carrying amount of assets and liabilities applying tax rates established or effective at the balance sheet date.

Deferred tax assets are recognized only if there is a probability that taxable income will arise in future against which unused tax losses and loans can be utilized. Deferred tax assets are decreased to the amount that makes subsequent realization of a respective tax benefit impossible.

5.18. Construction contractor agreement

Construction contractor agreement is an agreement specially signed for the purposes of construction of an asset or a group of assets, which are interrelated by engineering, technology, appropriation or use.

Income and expenses incurred in result of construction contractor agreement are reported at method of agreement performance percentage. However, if there is no significant difference in terms of factual performance percentage and the dates of ownership right transfer provided by the agreement, the performance percentage is determined in compliance with the term for ownership right transfer set forth in the agreement.

Payment delay penalty or improper agreement performance are reported through netting from earnings.

Likely losses under agreements in progress are reported to full extent as they incur. Commercial, administrative and interest expenses are reported directly in the financial year where incurred.

Amounts received under issued interim invoices for construction contractor agreement are netted from the assets of agreement as far as it is performed. Amounts received under issued interim invoices before completion of respective works are reported as balance-sheet liabilities in caption "Advances received".

Aggregate amount of sustained costs and reported profit netted by amount of reported losses and issued advance invoices is determined individually for each agreement. If such amount is positive, it is recognized in the assets of caption "Assets of construction contractor agreements". If the amount is negative, it is included into liabilities of caption "Construction contractor agreement: liabilities".

5.19. Revenue recognition

x. *Goods sold*

Income from sales of goods is recognized in the Income statement when substantial risks and rewards of property ownership are transferred to a buyer, receipt of recoverable amount is likely, relevant expenditure and potential return of goods may be measured reliably and there is no continuous interference of the management in sales of goods.

xi. *Services*

Income from services rendered is recognized in the Income statement proportionally to a transaction completeness stage at the reporting date. Completeness stage is estimated based on expert evaluation of works fulfilled.

xii. *Commissions*

When the Group is an agent, but not main participant of a transaction income is recognized in net commissions received.

xiii. *Income from lease*

Income from lease of the investment property is recognized in the Income statement at the straight-line method during the whole term of lease. All lease benefits vested are recognized as a component of total income from lease during the whole term of lease.

5.20. Operating lease payments

Operating lease payments are recognized in the Income statement at the straight-line method during the whole term of lease. Lease benefits received are recognized as a component of total lease payments.

5.21. Financial income and expenses

Financial income and expenses include loans interest paid, dividend income, profits and losses from exchange rate differences, profits and losses from revaluation and write-off of financial instruments.

All loans interest and other expenses incurred are reported in expenditure as part of financial expenses when they were incurred and calculated under the effective interest rate method.

Interest income is recognized as accrued taking into account an asset effective yield. As to investments in associates income dividend is credited to investments in this associate. With respect to other companies dividend income is recognized at the date the Group receives dividends right.

5.22. Offsetting

Financial assets and liabilities are offset. The net amount is recognized in the financial statements only when there is a legal right enforceable to offset recognized amounts or regulate assets on a net basis or realize an asset and settle a liability concurrently.

5.23. Amendments in accounting estimations.

In 2007 the Group decided to change the method of investment property assessment. At the end of 2007 investment property is assessed at fair value by external independent valuators.

In 2006 investment property was assessed at cost net of amortization and losses from impairment.

5.24. New interpretations and accounting standards

Below listed are the new standards, amendments to standards and interpretations, which are obligatory for the periods beginning from January 1, 2006.

- Modification to IAS 19 «Actuarial income and losses, Group plans and information disclosure", is statutory for year period beginning from January 1, 2006 or after that date. Given modification is not related to the Group's activities.
- Modification to IAS 39, Modification to section "Possibility of assessment at fair value" is obligatory for annual period beginning from January 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.
- Modification to IAS 21 «Net investments in a foreign operation", истые инвестиции в зарубежную деятельность», is obligatory for annual period beginning from January 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.
- Modification to IAS 39, Modification «Cash flow hedge; related to highly probable forecast inter-group transactions" is obligatory for annual period beginning from January 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.
- Modification to IAS 39 and IFRS 4, Modification «Financial guarantee agreements" is obligatory for annual period beginning from January 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.
- IFRS 6 «Exploration for and Evaluation of Mineral Resources issued», obligatory for annual period beginning from January 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.
- Interpretation IFRIC 4 «Determining Whether an Arrangement Contains a Lease», obligatory for annual period beginning from January 1, 2006 or after that date. Given interpretation did not materially affect these consolidated financial statements.
- Interpretation IFRIC 5 «Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds», obligatory for annual period beginning from January 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.
- Interpretation IFRIC 6 « Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment», obligatory for annual period beginning from January 1, 2005 or after that date. Given modification did not materially affect these consolidated financial statements.

- Interpretation IFRIC 7 « Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary», obligatory for annual period beginning from March 1, 2006 or after that date. Given interpretation did not materially affect these consolidated financial statements.
- Interpretation IFRIC 8 «Scope of IFRS 2», obligatory for annual period beginning from May 1, 2006 or after that date. Given interpretation did not materially affect these consolidated financial statements.
- Interpretation IFRIC 9 «Reassessment of Embedded Derivatives», obligatory for annual period beginning from June 1, 2006 or after that date. Given modification did not materially affect these consolidated financial statements.

IFRS 7 «Financial instruments: Disclosures", is obligatory for annual periods beginning from January 1, 2007 or after that date. IAS 1 "Modifications to equity disclosures", ", is obligatory for annual periods beginning from January 1, 2007 or after that date. New IFRS extended the scope of disclosures with regard to financial instruments. In particular, it requires disclosure of qualitative and quantitative information on risks incurring in relation to financial instruments, including established minimum with regard to credit risk, liquidity risk and market risk, as well as the market risk sensitivity. It replaces certain requirements of IAS 32 "Financial instruments: Disclosures and presentation". Modification to IAS 1 keeps requirements to scope of disclosures on company equity and methods of equity management. Given modification did not have significant affect these consolidated financial statements.

Below are the new standards, modifications to standards and interpretations, which were published but not obligatory for the year 2007. The Group did not apply them before appointed time.

- Interpretation IFRIC 11, IFRS 2 – "Group and Treasury Share Transactions" obligatory for annual period beginning from March 1, 2007 or after that date. Currently the Group management assesses effect of given interpretation to the Group's operations.
- IFRS 8 «Operating segments» is statutory for annual periods beginning from January 1, 2009 or after that date. Given IFRS is applied by those entities, which debt or equity instruments are traded at open market, as well as by those organizations, which present or plan to present its financial statements to supervisory bodies due to flotation of any kind of instruments at the open market. IFRS 8 requires disclosure of financial and descriptive information with regard to operating segments and specifies how organizations should disclose such information with their financial statements. Currently the Group analysis the effect of given IFRS to segment reporting in the Group's consolidated financial statements.
- IAS 23 (revised) "Recognition of borrowing costs". Possibility to immediately charge borrowing costs against expenses was excluded – the borrowing costs related to assets preparation for use or sale of which takes significant period of time. The revised standard is applied to respective investment assets, capitalization date of which begins from January 1, 2009 or after that date. . Currently the Group assesses effect of given revised standard to the Group's consolidated financial statements.
- Interpretation IFRIC 13 – «Customer loyalty programs» (applicable to annual periods beginning from July 1, 2008 or later). Given interpretation explains how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods, and when the amount of payment is allocated to bonuses then how such allocation should be organized, when the earnings should be recognized and when the bonuses are provided by third party – how the earnings should be assessed. Given interpretation is not applicable to the Group's operations.
- Interpretation IFRIC 14, IFRS (IAS) 19 – «The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction» (applicable to annual periods beginning from January 1, 2008 or later). Given interpretation specifies how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognize as an asset, how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under IAS 19. Given interpretation is not applicable to the Group's operations.
- IFRS (IAS) 1 «Presentation of financial statements» (applicable to annual periods beginning from January

1, 2009 or later). IFRS (IAS) 1 (new edition) introduces certain modifications to presentation of financial statements and new disclosure requirements. Currently the Group management assesses effect of given revised standard to the Group's consolidated financial statements

- Interpretation IFRIC 12 «Interpretation on service concession arrangements» is obligatory for annual period beginning from January 1, 2008 or after that date. Given interpretation is not applicable to the Group's operations.

6. BUSINESS COMBINATION AND ACQUISITION OF MINORITY INTEREST

Business combination

In October 2007 the Group acquired 61% of share in the statutory fund of *LLC Kniagynia Olga*. The Company is located in Ukraine (Lvov) and implements the project of multifunctional shopping complex with total area of 67 thousand square meters. Acquisition cost comprised 10 million USD. Fair value of net assets after independent appraisers' evaluation of construction in progress object owned by the company, comprised 48,6 million USD. Excess value was reported in the Income statement as income from companies acquisition.

In June 2007 the Group acquired 50% of share in the statutory fund of *LLC Levy mista*. The company is located in Ukraine (Lvov) and implements the project of multifunctional shopping complex with the area of 68 thousand square meters. The Group carries out the control through representation in the company management and has an ability to determine its financial and operating policies.

In June 2007 the Group acquired 50% of share in the statutory fund of *LLC Grand-Elite*. The company is located in Ukraine (Lvov) and implements the project of multifunctional shopping complex with the area 68 thousand square meters. The Group carries out the control through representation in the company management and has ability to determine its financial and operating policies.

Fair value of net assets of acquired companies at the acquisition date and corresponding carrying amounts directly before the acquisition were as follows:

	LLC levy mista	**LLC Grand-Elite**	**LLC Elite**	**OJSC Modern technologies**	**LLC Kniagynia Olga**
Carrying amount of net assets	567	69	(226)	119	311
Adjustments to fair value:					
Revaluation surplus of construction in progress	2,494	2,608	-	-	79,439
Deferred tax liabilities	-	-	-	-	-
	3,061	2,677	(226)	119	79,750
Share of ownership,%	50.0%	50.0%	75.0%	100.0%	61.0%
Total net assets at the acquisition date	**1,530**	**1,338**	**(170)**	**119**	**48,648**
Goodwill	-	172	506	60	-
Income from company acquisition	(20)	-	-	-	(38,648)
Total, acquisition cost	**1,510**	**1,510**	**336**	**179**	**10,000**
Net cash acquired with subsidiaries	1	1	7	118	2
Acquisition costs	-	-	-	-	-
Net cash inflow	**1**	**1**	**7**	**118**	**2**

Acquisition of minority interest

In December 2007 the Group additionally acquired 50% of share in the statutory fund of the company *LLC Investments and consulting*. As a result the Group's share comprised 100%. For the acquisition of this share the compensation was paid as cash in the amount of 2,3 million USD. Carrying amount of net assets of the *LLC Investments and consulting* at the indicated date comprised 10 million USD. The carrying amount of additionally acquired share comprised 5 million USD. The difference of 2,7 million USD between the compensation and carrying amount of acquired share had been recognized in the Income statement as income from companies acquisition.

7. SEGMENT REPORTING

Risks and profit rates of the Group are affected to a great extent by peculiarities of the services rendered. Hence, reporting operating segments are used as primary reporting format. Principal activity is performed within Lvov region; therefore disclosure of the geographical segment information is insignificant.

The following operating segments can be segregated in the Group's operations:

- Commercial trade real estate that includes lease of the investment property and sale of trade real estate;
- Residential real estate that includes income from sale of habitation;
- Construction that includes external income from sale of products, work, services, subsidiaries engaged in construction, transportation and designing;
- Other;
- Corporate (parent and assets management company)

Out-of segment assets comprise deferred tax assets. Out-of segment liabilities comprise mainly loans and deferred tax liabilities. Capital investments include acquisition of fixed and intangible assets, as well as the investment property.

The table below represents the information on proceeds, profit and some assets and liabilities by industrial segments of the Group:

As at December 31, 2007:

	Commercial real estate	Residential real estate	Construction	Other	Corporate segment	Group
Total segment income	1,967	3,767	7,916	143	58	13,851
Intersegmental income	(78)	-	(6,092)	-	(56)	(6,226)
Income	**1,889**	**3,767**	**1,824**	**143**	**2**	**7,625**
Segment result	**14,681**	**2,202**	**(489)**	**(299)**	**40,448**	**56,543**
Financial income (expenses)						(695)
Profit(loss) before tax						**55,848**
Income tax expenses						(1,685)
Profit for the year						**54,163**
Segment assets	210,343	35,654	11,755	20,440	3,005	281,197
Out-of segment assets						36
Total assets						**281,233**
Segment liabilities	3,271	717	2,323	302	4,994	11,607
Out-of segment liabilities						2,712
Total liabilities						**14,319**
Capital investments	**64,589**	**7,670**	**8,074**	**404**		**80,737**
Amortization	**73**	**0**	**325**	**7**	**56**	**461**

As at December 31, 2006:

	Commercial real estate	Residential real estate	Construction	Other	Corporate segment	Group
Total segment income	1,335	337	2,324	226	-	4,222
Intersegmental income	(39)	(96)	(634)	(5)	-	(774)
Income	**1,296**	**241**	**1,690**	**221**	**-**	**3,448**
Segment result	**(189)**	**(45)**	**(55)**	**(3)**	**18**	**(274)**
Financial income (expenses)						(456)
Profit(loss) before tax						**(730)**
Income tax expenses						232
Profit for the year						**(498)**
Segment assets	10,215	2,072	1,179	390	4	13,860
Out-of segment assets						641
Total assets						**14,501**
Segment liabilities	6,049	616	774	160	202	7,801
Out-of segment liabilities						6,498
Total liabilities						**14,299**
Capital investments	**3,586**	**5**	**524**	**6**	**-**	**4,121**
Amortization	**168**	**0**	**50**	**5**	**-**	**223**

8. CAPITAL INVESTMENTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Summary of the activity on property, plant and equipment for the year ended December 31, 2007 is presented as follows:

	Land and buildings USD'000	Equipment and vehicles USD'000	Other USD'000	Intangible assets USD'000	Capital investments USD'000	Total USD'000
Original cost						
As at January 1, 2006	**45**	**198**	**145**	**0**	**403**	**791**
Acquisition	-	-	-	-	3,762	3,762
Putting into operation	77	505	8	-	(590)	-
Transferring to the investment property	-	-	-	-	(359)	(359)
Retirement	-	(91)	(1)	-	-	(91)
As at December 31, 2006	**122**	**612**	**152**	**0**	**3,216**	**4,103**
Acquisition	-	-	-	-	15,987	15,987
Putting into operation	309	6,841	186	477	(7,813)	-
Revaluation surplus	-	-	-	-	229,571	229,571
Transferring to the investment property	-	-	-	-	(2,615)	(2,615)
Retirement	(26)	(1,929)	(132)	(0)	(2,804)	(4,891)
As at December 31, 2007	**405**	**5,524**	**206**	**477**	**235,543**	**242,155**
Accumulated depreciation						
As at January 1, 2006	**(2)**	**(35)**	**(31)**	**(0)**	**-**	**(68)**
Depreciation expenses	(3)	(77)	(33)	-	-	(114)
Acquisition	-	(29)	-	-	-	(29)
Retirement	-	23	1	-	-	24
As at December 31, 2006	**(5)**	**(118)**	**(63)**	**(0)**	**-**	**(187)**
Depreciation expenses	(8)	(337)	(62)	(54)	-	(461)
Acquisition	-	(16)	(5)	-	-	(21)
Retirement	-	163	57	0	-	221
As at December 31, 2007	**(13)**	**(308)**	**(73)**	**(54)**	**-**	**(447)**
Net value						
As at January 01, 2006	**43**	**163**	**114**	**-**	**403**	**723**
As at December 31, 2006	**117**	**494**	**89**	**-**	**3,216**	**3,916**
As at December 31, 2007	**392**	**5,217**	**133**	**423**	**235,543**	**241,708**

Capital investments in the amount of 234,6 million USD include investment property under construction items (including rights for land lease intended for construction of the investment property – 49,1 million USD). Total amount of revaluation of the investment property under construction comprised 229,6 million USD.

In 2007 depreciation charges in the amount of 238 thousand USD were capitalized (in 2006 – 76 thousand USD).

Other fixed assets included: office equipment, computers, communication facilities, furniture, etc.

9. INVESTMENT PROPERTY

Investment property for the year ended December 31 is presented as follows:

	2007 USD'000	2006 USD'000
As at January 1	**2,115**	2,247
Receipt of historical cost	2,615	359
Retirement	(302)	(385)
Depreciation	-	(110)
Depreciation on retired	-	4
Revaluation surplus	14,438	-
As at December 31	**18,866**	**2,115**

Investment property includes commercial objects held for the purposes of accretion to the capital and gaining from their lease or both. At the end of 2007 the Group operates 2 shopping complexes:

- Trade center "Megamarket TKC", Truskavets, total area - 6,6 thousand square meters;
- Trade center "Matador", Drogobych, total area – 3,5 thousand square meters.

In 2007 income from lease of the investment property comprised 1,1 million USD (in 2006 - 338 thousand USD).

10. INVENTORY

Inventory as at December 31 are presented as follows:

	2007	2006
	USD'000	**USD'000**
Basic materials	**888**	209
Work in process	**3**	-
Building contracts: assets	**1,799**	920
Finished commodities and goods	**168**	14
	2,858	**1,143**

The Group is engaged in construction of a real estate for third parties within the agreements for share holding in construction and purchase and sale agreements. At the date of this reporting 65 agreements had been concluded with individuals for sale of apartments in residential complex "Lisova Pisnya". Furthermore, two preliminary agreements were concluded for sale of trade area of the ground floor in the residential complex "Lisova Pisnya". The object is 50% completed. The stage of completion was determined based on actual volume of work performed with attraction of technical experts of the Group. It is planned to put the object into operation in the fourth quarter of the year 2008.

Below the item "Building contracts" is disclosed:

	2007	2006
	USD'000	**USD'000**
Contractual expenses at the reporting date	**3,225**	920
Recognized profit less recognized losses	**2,342**	-
Interim total	**5,567**	**920**
Interim accounts	**3,768**	-
Due from customers (assets under the building contracts)	**1,799**	**920**

Market value of the construction in progress of the residential complex as at December 31, 2007 evaluated by the independent appraiser, comprised 16,4 million USD.

11. TRADE AND OTHER ACCOUNTS RECEIVABLE

Accounts receivable as at December 31 are summarized as follows:

	2007	2006
	USD'000	**USD'000**
Trade accounts receivable	**1,242**	310
Payables under building contracts	**2,708**	-
Prepayments	**2,140**	761
Related parties	**5,217**	3,895
Other accounts receivable	**2,979**	1,646
	14,286	**6,612**

11.1. Trade accounts receivable

Trade accounts receivable as at December 31 are stated as follows:

	2007	2006
	USD'000	USD'000
Trade accounts receivable	**1,353**	383
Less: provisions for impairment	**(111)**	(73)
	1,242	**310**

Trade accounts receivable as at December 31 by their origination are presented as follows:

	2007	2006
	USD'000	USD'000
From 3 to 6 months	**815**	179
Over 6 months	**167**	165
	982	**344**

11.2. Prepayments

Prepayments as at December 31 are stated below:

	2007	2006
	USD'000	USD'000
Prepayments	**2,431**	869
Less: provision for impairment	**(291)**	(109)
	2,140	**761**

Prepayments as at December 31 by their origination are stated below:

	2007	2006
	USD'000	USD'000
From 3 to 6 months	**836**	184
Over 6 months	**617**	79
	1,453	**263**

11.3. Other accounts receivable

Accounts and promissory notes receivable as at December 31 are presented as follows:

	2006	2005
	USD'000	USD'000
VAT	**2,183**	841
Income tax	**5**	
Other taxes receivable	**23**	2
Tax liabilities	**719**	662
Other accounts receivable	**49**	141
Less: provisions for impairment	**-**	-
	2,979	**1,647**

12. SHARE CAPITAL, SHARE PREMIUM

Up to December 2006 the Group was not structurally combined in the frameworks of one legally incorporated holding. As the group was formed the control over companies included in the Group's operational structure was performed by individuals – the Controlling team.

The Controlling team includes: Torskiy I.M., Govirko V.I.

In December 2006 the Controlling team incorporated the national parent company LLC "TKC - Management" aimed at the holding structuring. In 2006 LLC "TKC - Management" acquired controlling interest (shares) of subsidiaries.

In June 2007 the Controlling team had incorporated the parent company WAYMORE HOLDINGS PUBLIC LIMITED (further – the Company). The Company was registered in Cyprus and operates in accordance with the Cyprian legislation. In August 2007 the Company acquired 99,99% of the statutory capital of the Ukrainian holding LLC "TKC - Management". Authorized capital of the parent company comprises 60,000 USD, divided into 6,000,000 shares at par value 0,01 USD. Unpaid capital comprises 15,000 USD.

Segregation of shareholders is presented below:

Shareholder	Number of shares	Share of ownership,%
Controlling team	3,419,994	76%
Minority shareholder	1,080,006	24%
Undivided part	1,500,000	-
	6,000,000	**100%**

The Controlling team owns 76% of WAYMORE HOLDINGS PUBLIC LIMITED through the company STRIKEWELL (Cyprus), founders of which are Torskiy I.M. (share 50%), Govirko V.I. (share 50%).

In August 2007 the Company placed 1,080,000 (24% of the Statutory capital) of shares as Global Depositary Receipts (GDR) at Frankfurt's Stock Exchange. Share premium on this placing comprised 38,6 million USD.

13. FINANCIAL LEASE OBLIGATIONS

The Group entered into several financial lease agreements with regard to various types of equipment. These agreements contain call option without an escalation clause. The effective interest rate on the lease maintenance comprises on average 24% in UAH.

Minimum future rental payments under the financial lease agreements as well as discounted cost of net minimum rental payments are stated below.

Financial lease obligations – minimum rental payments:

	2007	**2006**
	USD'000	**USD'000**
Up to 1 year	**747**	-
From 1 to 3 years	**942**	
	1,689	**-**
Cost of financial lease maintenance	**(427)**	**-**
State cost of financial lease obligations	**1,262**	**-**

Stated cost of financial lease obligations by maturity:

	2007	**2006**
	USD'000	**USD'000**
Up to 1 year	**482**	-
From 1 to 3 years	**779**	-
Stated cost of financial lease obligations	**1,262**	**-**

Current portion of financial lease obligations is stated in "Other liabilities". The Group acquires construction equipment and vehicles under the financial lease agreements.

14. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at December 31, 2007 are presented as follows

	Accounts payable USD'000	Other USD'000	Total USD'000
As at January 1, 2006	**455**	**25**	**480**
Accounted for in the Income Statement	269	17	286
Accounted for in the Statement of changes in equity	-	-	-
As at December 31, 2006	**724**	**42**	**766**
Accounted for in the Income Statement	(291)	59	(232)
Accounted for in the Statement of changes in equity	-	-	-
As at December 31, 2007	**433**	**101**	**534**

Deferred tax liabilities as at December 31, 2007 are stated in the table below:

	Fixed assets, investment property USD'000	Other USD'000	Total USD'000
As at January 1, 2006	**61**	**175**	**236**
Accounted for in the Income Statement	(37)	29	(8)
Accounted for in the Statement of changes in equity	-	-	-
As at December 31, 2006	**24**	**204**	**228**
Accounted for in the Income Statement	419	806	1,225
Accounted for in the Statement of changes in equity	-	-	-
As at December 31, 2007	**443**	**1,010**	**1,453**

The Group's management intends to sell in the near future Ukrainian subsidiaries. Due to this fact the Group's management believes that the Parent company - Waymore Holdings Public Limited does not have any taxable profit. Correspondently, the Company does not record in its consolidated and combined financial statements deferred tax liabilities which arise in the Ukrainian subsidiaries during revaluation of the investment property at the rate 25 %. Waymore Holdings Public Limited was registered in Cyprus Republic, where the tax on share or securities sale is not charged. In opinion of the Group's management deferred tax liabilities will not be realized during revaluation of the investment property.

Deferred tax liabilities recorded in the separate financial statements of the Ukrainian subsidiaries resulted from revaluated assets, comprises 61 million USD.

15. CREDITS AND LOANS

Credits and loans as at December 31, 2007 can be presented as follows:

	Currency	Interest rate	Maturity date	2007 USD'000	2006 USD'000
Va-Bank	USD/UAH	14%/17,5%	March 2007	**-**	1,414
IIB	USD/EURO	13%/13%	June 2007	**-**	643
Nadra	USD	13%	March 2008	**5**	18
Electron Bank	USD/UAH	12%/16%	April 2007	**-**	990
Ukrsotsbank	USD	14%	April 2008	**5**	-
MKB	USD/UAH	13%/22%	September 2007	**-**	1,896
Ukrsibbank	UAH	14,6%	May 2008	**1,526**	1,319
Khreschatik	UAH	17,5%	December 2008	**190**	190
				1,726	**6,470**

Interest rates range by currencies:

	Range, %	Average-weighted rate, %
US dollar	12-14%	13.3%
EURO	13-15.5%	14.3%
UAH	14.6-22%	18.4%

In 2007 the Group decreased significantly use of credit. Total repayment amount comprised about 67 million UAH. Such decrease was caused by refinancing of external credits by loans from the parent company. Decrease of credit funds balances as compared to previous year comprised 23,489 thousand UAH. At the end of 2007 the Group had four non-repaid credit lines in national currency to the total amount of 1,710 thousand USD.

In 2007 the Group issued nominal discount bonds to the amount of 8,86 million UAH or 1,8 million USD. Issue package comprises 200 thousand pieces, nominal – 50 UAH or 9,9 USD, discount per one bond – 0,01 UAH or 0,0019 USD. Maturity date is May 2010. The issue was performed in order to secure preliminary purchase and sale of shopping premises agreement terms concluded between the issuer (the Group) and a buyer of shopping areas. Bought out by third parties bonds in the amount of 1,53 million USD were classified in accordance with the economic substance of a transaction as advances received from buyers of shopping areas located at the ground floor of the residential complex "Lisova pisnya".

Issue balance in the amount of 225 thousand USD was bought out by the Group's company at a third party at the placement value - 49,99 UAH or 9,89 USD.

The Group does not have any subordinated debts and debts converted into the capital.

Description of assets pledged by the Group due to credits and loans is set forth in the Note 24.

16. TRADE AND OTHER CREDITORS

Accounts payable as at December 31 are stated in the table below:

	2007 USD'000	2006 USD'000
Trade payables	**826**	815
Advances form buyers	**1,417**	3,318
Advances from buyers under building contracts	**662**	659
Taxes payables	**72**	11
Income tax	**-**	17
Related parties	**735**	2,232
Salaries payable	**233**	34
Interest payable	**1**	8
Tax credit	**957**	672
Other liabilities	**5,991**	63
	10,894	**7,829**

Other liabilities include: current portion of financial lease liabilities in the amount of 482 thousand USD, payables on acquired financial investments in the amount of 5,1 million USD, payables on redemption at third parties of own bonds to the amount of 225 thousand USD.

Terms with respect to the above financial liabilities:

- Trade accounts payable are non-interest bearing and, generally repaid during 60 days.
- Generally, interest is paid on a monthly basis during the whole financial year.
- Terms as to related parties are contained in the Note 25.

17. INCOME

Income for the year ended December 31 is stated below:

	2007	2006
	USD'000	**USD'000**
Income from rentals of shopping areas	**1,101**	338
Sale of residential real estate	**3,036**	-
Sale of commercial real estate	**812**	363
Sale of other goods, work, services	**2,676**	2,747
	7,625	**3,448**

All income arises due to sales to Ukrainian customers.

18. REMUNERATION EXPENSES

Other expenses for the year ended December 31 are stated in the table below:

	2007	2006
	USD'000	**USD'000**
Salary	**445**	168
Salary accruals	**141**	60
Retirement plans	**-**	-
	586	**228**
Number of employees		
Basic (production, services)	**201**	118
Servicing	**21**	16
Administrative	**34**	31
Sales	**15**	5
	271	**170**

19. OTHER EXPENSES

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

	2007	2006
	USD'000	**USD'000**
Consulting, audit and other information services	**819**	138
Provisions for doubtful debts	**358**	97
Energy (electric power, heating)	**262**	237
Losses (income) from currency sale	**211**	12
Maintenance of fixed assets	**169**	155
Other taxes	**124**	41
Bank services	**114**	40
Operating exchange rate differences	**108**	16
Communication	**51**	50
Lease	**24**	19
Security	**15**	11
Other operating expenses	**325**	60
	2,580	**876**

20. FINANCIAL INCOME (EXPENSES)

Net financial expenses for the year ended December 31 are presented as follows:

	2007	2006
	USD'000	USD'000
Interest received	**269**	3
Interest expenses	**(964)**	(459)
	(695)	**(457)**

Expenses related to the financial lease maintenance in 2007 comprised 161,4 thousand USD. During the year ended December 31, 2007 the Group did not capitalize the loan interest.

21. INCOME TAX REVENUE (EXPENSES)

Income tax revenue for the year ended December 31 is presented below:

	2007	2006
	USD'000	USD'000
Current income tax	**228**	61
Deferred income tax	**1,457**	(293)
Income tax revenue	**1,685**	**(232)**

21.1. Reconciliation between the effective tax rate and the tax rate in force

	2007	2006
	USD'000	USD'000
Accounting income (loss) before tax	**55,848**	(730)
At the income tax rate established by the Ukrainian legislation in the amount of 25% (2006: 25%)	**13,962**	(183)
Negative goodwill during acquisition of companies	**(10,343)**	
Other constant differences	**(1,934)**	(50)
Income tax expenses (revenue)	**1,685**	**(232)**

Corporate tax rate comprised 25% in 2007 and 2006.

22. EQUITY RECONCILIATION

Equity reconciliation for the year ended December 31, 2007 is presented as follows:

	Accumulated profit	Share premium	Revaluati on surplus
Equity in accordance with NAS as at December 31, 2007	**28,594**	**-**	**15,712**
Cut off adjustments	(23)	-	-
Exchange rates adjustments	4	-	-
Amortization recalculation	(932)	-	-
Deferred tax adjustments	(919)	-	-
Provisions for accounts receivable	(369)	-	-
Investment property revaluation surplus	14,438	-	213,859
Expense reclassification	8,000	-	-
Income reclassification	(36,096)	-	-
Financial lease interest	(48)	-	-
Companies acquisition	41,841	-	(84,540)
Intragroup balances adjustment	(131)	-	-
BDO's services	(50)	-	-
Share premium adjustment	-	38,584	-
Investment discount	(24)	-	-
Minority interest	(1,004)	-	(25,679)
Other	(5)	-	6
Equity in accordance with IFRS as at December 31, 2007	**53,276**	**38,584**	**119,358**

Reconciliation of the equity for the year ended December 31, 2006 is presented below:

	Accumulated profit
Equity in accordance with NAS as at 31.12.06	**(344)**
Cut off adjustments	**(40)**
Provisions for accounts receivable	**(182)**
Deferred taxes adjustments	**538**
Amortization recalculation	**167**
Investment discount	**(24)**
Minority interest	**82**
Other	**1**
Equity in accordance with IFRS as at 31.12.06	**198**

23. FINANCIAL INSTRUMENTS

The Group is exposed to credit, interest and currency risks during the ordinary course of business.

23.1. Credit risk

As at December 31, 2007 and 2006 there was no significant credit risk exposure. Maximum credit risk exposure is presented by the carrying amount of each financial asset in the consolidated balance sheet.

23.2. Interest rate risk

Change of interest rates affects mainly credits and loans by changing their fair value (fixed interest rate debt) or future cash flows (variable interest rate debt). The Management has not developed an official policy of determination risk exposure at fixed and variable interest rates. However, the management uses its own judgments when obtaining new financing source in order to make decisions about option of the most favorable interest rate (fixed or variable) for probable period before the loan repayment.

23.3. Currency risk

The Group is exposed to currency risks during sale, acquisition, receipt of credits and loans as well as cash and cash equivalents denominated in currency other than Ukrainian hryvnia. Currency risks appear basically in relation to US dollar and Euro. Ukrainian legislation restricts the Group's ability to hedge its currency risk exposure and, correspondently, the Group does not hedge its currency risk.

23.4. Fair value

Estimated fair value of financial assets and liabilities is determined using available market information and relevant assessment methods. However, to interpret marketing data in order to estimate the fair value a qualified opinion is required. Respectively, it is not obligatory to take into account the amount, which can be realized in the present market. Application of various marketing assumptions and / or assessment methods may have significant effect upon the estimated fair value.

The estimated fair value of financial assets and liabilities is determined using discounted cash flows and other appropriate assessment methods at the year-end. It does not indicate the fair value of these instruments at the date of preparation and circulation of these consolidated financial statements. These estimations do not reflect any premiums and discounts, which could have resulted from proposal for concurrent sale of a full package of certain financial instrument of the Group. The fair value estimation is based on judgments as to expected future cash flows, existing economic situation, risks inherent to different financial instruments and other factors.

The fair value estimation is based on existing financial instruments without any attempts to assess a cost of expected futures transaction and a cost of assets and liabilities, which are not considered as financial instruments. More to that tax ramification (ramified structure) associated with realization of non-realized profits and losses may have effect on the fair value estimation. Therefore it was not accounted for in this reporting.

For all financial assets and liabilities the carrying amount was measured at an approximate carrying amount as at December 31, 2007 and 2006.

24. COMMITMENTS AND CONTINGENCIES

24.1. Pledged assets

As at December 31 as a result of credits and loans receipt the Group pledged the following material assets:

Loan of OJSC "Ukrsibbank", loan of OJSC "Khreschatik" (borrower – LLC Investments and consulting): secured by:

- Pledge of right of property for deposits of property guarantors. Property guarantors are buyers of apartments in the premise built by LLC Investments and consulting.

24.2. Capital costs obligations

Within the frameworks of ordinary activity the Group entered into real estate objects construction contracts. According to the investment program for 2008 the Group plans to carry out capital investments to the construction in the amount of 100 million USD.

24.3. Operating lease obligations

As at December 31, 2007 there were no significant facts of irreducible operating lease.

24.4. Страхование

Insurance system in Ukraine is still at the development stage. Many forms of insurance coverage usual for other countries all over the world are not yet available here. The Group has acquired insurance for all its essential assets that provides for high level compensation in case of damage of own assets, third parties' property, liabilities of third parties for any failures resulting form accidents or related to property issues or natural disasters.

24.5. Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. The Management believes that the results arising from such actions or complaints will not have a material adverse effect on the financial position or the economic results of the Group.

24.6. House-building obligations

The group is engaged in house-building with attraction of private investors (citizens) financing. The Law of Ukraine "On finance and credit mechanisms and management of property during house-building and real estate transactions" covers all legal relations with respect to the entity and house-building arising from 01.01.2004 and is obligatory for application by all entities of this building. The Law determines requirements as to the composition of these relations that provide for attraction of cash of legal entities and individuals.

Mechanisms of house-building financing applied by the Group are not in a full compliance with the requirements of the legislation in force. It is shown by insufficient control over funds spending from the direction of dwelling investors.

24.7. Contingent tax liabilities

The Group operates mainly in Ukraine, i.e. within Ukrainian tax bodies' jurisdiction. Many taxes and legislation subject to frequent changes (which can be used retrospectively) are inherent to the Ukrainian tax system. The laws can be interpreted in different ways and these interpretations can contradict to each other. Often incompatible opinions exist with respect to interpretation of legal norms with local, regional and state tax bodies as well as the

Ministry of Finance. Tax returns are inspected by several bodies enforceable to impose severe fines, penalties and accrue interest. Tax year remains open for the inspections by tax bodies during three consistent calendar years. However under certain circumstances a tax year remains open for a longer period. The above factors create tax risks in Ukraine, which are more significant than those existing in more developed tax systems.

The Group performs transactions with its employees, clients and suppliers for cash if they wish to do so in order to maximize cash flow and income and provide for financial flexibility. These transactions may be appealed against by the tax bodies. The management of separate companies within the Group bears responsibility for correctness and timeliness of tax payments made by the Group's companies.

Different operating periods of the Group's companies have been audited by the local tax bodies. At the reporting date tax bodies did not advance any claims or taxation amounts to the Group's members. These consolidated financial statements did not accrue any additional contingent tax liabilities. However, in case the tax bodies decide that transactions are subject to taxation and apply these taxation amounts to one or more companies of the Group final tax amounts and penalties will have significant adverse effect on the Group's financial position.

25. RELATED PARTY TRANSACTIONS

The Group performs related party transactions during its ordinary activity. Related parties include associates, supervisor shareholders, companies under common control of the Group's owners, key management personnel and their close family as well as the companies under control or significant effect of shareholders. Prices for related parties are determined on a regular basis. Terms of certain related party transactions may differ from market ones.

Related party transactions as at December 31 are presented as follows:

25.1. Sale of goods and services

	2007	2006
	USD'000	USD'000
Sale of goods, work, services	**5,398**	2,270
Purchase of goods, work and services	**5,455**	3,376

25.2. Balances of mutual payments with related parties with respect to sale/purchase of goods and services

	2007	2006
	USD'000	USD'000
Accounts receivable	**5,217**	3,895
Accounts payable	**735**	2,232

Purchase and sale transactions related to goods, work, services were preformed mainly between the Group and a related company LLC Delax-Ukraine and its subsidiaries: branch Kvartalbud, SC Zhitlobud and others (93 % of sales and 96% of purchases). The Group's companies, in particular, LLC TKS Eurobud, realize mainly concrete and construction materials the cost of which is reimbursed as purchases of construction (contract) work capitalized in cost of real estate objects.

On average, purchase and sale transactions related to goods, work and services were carried out at the cost lower than the market one.

25.3. Loans extended by related parties

	2007	2006
	USD'000	USD'000
At the beginning of the year	**628**	177
Received during the year	**701**	795
Repaid during the year	**(1,282)**	(343)
At the year-end	**48**	628

25.4. Loans extended to related parties

	2007	2006
	USD'000	**USD'000**
At the beginning of the year	**1,561**	637
Loans extended during the year	**2,069**	1,378
Repayments of loans during the year	**(1,477)**	(454)
At the year-end	**2,153**	1,561

Receipt and extension of loans to related parties is performed in local currency on a non-interest bearing basis without collaterals and is made up by the agreements for repayable financial support for up to one year term.

25.5. Fees to directors

	2007	2006
	USD'000	**USD'000**
Remuneration	**12**	6
Post-employment benefits	**-**	-

In 2007 total amount of fees to directors comprised 12 thousand USD.

Fee amount included solely remuneration of labor. Terminal wages paid to retired directors were insignificant.

Share instruments fees are not provided.

26. POST BALANCE SHEET EVENTS

In 2008 majority shareholders composition of the parent company (the Controlling team) has been changed. Igor Balenko, the president of the company "Furshet" bought out portion of the share capital owned by Vladimir Govirko. From now main decisions relating to the development strategy of the Group are taken by Ivan Torckiy and Igor Balenko.