Limited Liability Company
“Tekhnopark LZTA”

Financial statements
31 December 2012

These financial statements contain 35 pages

Contents

(in thousands of Ukrainian hryvnias)	*Note*	**31 December 2012**	31 December 2011
Assets			
Non-current assets			
Investment property	*5*	**252,885**	250,830
Property, plant and equipment	*4*	**3,964**	4,249
Other non-current assets		**57**	99
		256,906	255,178
Current assets			
Inventories		**570**	687
Investments available for sale	*7*	**9,497**	9,497
Trade and other accounts receivable	*6*	**16,696**	18,117
Advances made		**749**	3,518
Cash and cash equivalents	*8*	**47**	2,870
		27,559	34,689
Total assets		**284,465**	289,867
Equity and liabilities			
Equity			
Statutory fund	*9*	**20,000**	20,000
Retained earnings		**155,699**	147,394
Total equity		**175,699**	167,394
Non-current liabilities			
Loans and borrowings	*10*	**64,477**	68,312
Deferred tax liabilities	*18*	**32,976**	43,062
		97,453	111,374
Current liabilities			
Loans and borrowings	*10*	**7,393**	4,238
Trade and other accounts payable	*11*	**1,417**	4,995
Advances received		**2,039**	1,736
Other taxes payable		**464**	130
		11,313	11,099
Total liabilities		**108,766**	122,473
Total equity and liabilities		**284,465**	289,867

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 35.

(in thousands of Ukrainian hryvnias)	*Note*	**2012**	2011 *(restated)*
Revenue	*12*	**19,298**	17,537
Cost of sales	*13*	**(10,319)**	(8,778)
Gross profit		**8,979**	8,759
General administrative expenses	*14*	**(1,366)**	(1,371)
Gain on investment property revaluation	*5*	**-**	24,252
Other income		**380**	757
Other expenses	*15*	**(1,454)**	(311)
Profit from operations		**6,539**	32,086
Finance income		**660**	688
Finance costs	*17*	**(8,121)**	(9,680)
(Loss) profit before tax		**(922)**	23,094
Income tax benefit (expense)	*18*	**9,923**	(7,435)
Net profit and total comprehensive income for the year		**9,001**	15,659

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 35.

(in thousands of Ukrainian hryvnias)	*Note*	2012	2011
Operating activities			
Net profit		**9,001**	15,659
Adjustments for:			
Depreciation		**492**	298
Gain on investment property revaluation		**-**	(24,252)
Loss on disposal of investment property		**-**	165
Loss on disposal of property, plant and equipment and other non-current assets		**47**	-
Interest expense		**7,990**	9,350
Interest income		**(660)**	(688)
Unrealised foreign exchange loss		**51**	339
Provision (reversal of provision) for impairment on trade and other accounts receivable		**867**	(607)
Income tax (benefit) expense		**(9,923)**	7,435
Operating cash flow before changes in working capital		**7,865**	7,699
Change in inventories		**117**	(670)
Change in trade and other receivables		**3,540**	13,369
Change in prepayments and other current assets		**2,769**	352
Change in trade and other payables		**(3,578)**	(3,869)
Change in advances received		**303**	441
Change in other taxes payable		**334**	111
Cash flows from operating activities		**11,350**	17,433
Investing activities			
Proceeds from sales of property, plant and equipment		**-**	11,661
Proceeds from sales of financial investments		**-**	535
Acquisition of property, plant and equipment		**(2,267)**	(6,067)
Acquisition of financial investments		**-**	(5,943)
Cash (used in) from investing activities		**(2,267)**	186
Financing activities			
Proceeds from loans and borrowings		**-**	8,807
Repayments of loans and borrowings		**(5,244)**	(8,021)
Proceeds from repayment of financial aid given		**11**	1,887
Financial aid given		**(3,419)**	(10,842)
Interest paid		**(3,393)**	(9,083)
Interest received		**139**	43
Cash used in financing activities		**(11,906)**	(17,209)

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 35.

Net (decrease) increase in cash and cash equivalents	**(2,823)**	410
Cash and cash equivalents at beginning of year	**2,870**	2,460
Cash and cash equivalents at end of year	**47**	2,870

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 35.

(in thousands of Ukrainian hryvnias)	**Statutory fund**	**Retained earnings**	**Total**
Balances as at 1 January 2011	20,000	131,735	151,735
Net profit and total comprehensive income for the year	-	15,659	15,659
Balances as at 31 December 2011	20,000	147,394	167,394
Net profit and total comprehensive income for the year	**-**	**9,001**	**9,001**
Transactions with owners, recognised directly in equity:			
Distribution to a related party acting in capacity of shareholders	-	**(859)**	**(859)**
Deferred tax effect	-	**163**	**163**
Total transactions with owners, recognised directly in equity	**-**	**(696)**	**(696)**
Balances as at 31 December 2012	**20,000**	**155,699**	**175,699**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 35.

1 Background

(a) Organization and operations

Limited Liability Company "Tekhnopark LZTA" (the Company) was established on 25 December 2002 in Lviv, Ukraine. The legal address of the Company is 72 Geroyiv UPA Street, Lviv, Ukraine.

The main activities of the Company are investing in the development of new properties in Ukraine and leasing them out. The Company is the owner of the Tekhnopark business centre with a total area of 36,565 square meters located in Lviv.

(b) Ukrainian business environment

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. These financial statements reflect management's current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position may be significant. In addition, the effect of future developments of the Company's financial position and the ability of others to continue to transact with the Company cannot presently be determined. The financial statements of the Company therefore may not include all adjustments that might ultimately result from these adverse conditions.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for investment property, which is measured at fair value by an independent appraiser on a regular basis.

(c) Functional and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia (UAH), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in UAH has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

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

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and could lead to material adjustments within the next financial year is included in the following notes:

- note 5 – valuation of investment property;
- note 6 – valuation of trade and other accounts receivables;
- note 9 – classification of puttable financial instruments and obligation arising on liquidation

The amendment *Puttable Financial Instruments and Obligations Arising on Liquidation*, issued in February 2008, amended International Financial Reporting Standard IAS 32 *Financial Instruments: Presentation* and International Financial Reporting Standard IAS 1 *Presentation of Financial Statements*. The amendments became effective for annual periods beginning on or after 1 January 2009. Prior to the amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, if, as well as other criteria being met, the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in recognised net assets or the change in the fair value of the recognised and unrecognized net assets over the life of the instrument and there are no other instruments issued that have cash flows based substantially on the total cash flows based substantially on the above items or restrict or fix the residual return to the puttable instrument holders. Although the exercise price for puttable instruments is based on the Company's statutory financial statements, management believes that the difference between the IFRS and statutory financial statements are temporary and expected to converge over time. In addition, the exit of a single participant in a limited liability company is prohibited. Consequently, in the view of management, the above criteria are met.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

The principal UAH exchange rates used in the preparation of these financial statements are as follows:

Currency	31 December 2012	31 December 2011
US dollar (USD)	**7.993**	7.9898

As at the date of these financial statements, 12 June 2013, the exchange rate is UAH 7.993 to USD 1.00.

(b) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, trade and other receivables, and cash and cash equivalents.

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other accounts receivable. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost less impairment.

Available-for-sale financial assets comprise investments in equity and debt instruments.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Company has the following non-derivative financial liabilities: trade and other payables and loans and borrowings.

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment property principally comprises buildings held for rental income earning.

(i) Initial measurement and recognition

Investment property is measured initially at cost, including related acquisition costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

If the Company uses part of the property for its own use, and part to earn rentals or for capital appreciation, and the portions can be sold or leased out separately, they are accounted for separately. Therefore the part that is rented out is investment property. If the portions cannot be sold or leased out separately, the property is investment property only if the company-occupied portion is insignificant.

(ii) Subsequent measurement

Subsequent to initial recognition investment property is stated at fair value. Any gain or loss arising from a change in fair value is included in profit or loss in the period in which it arises.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured at fair value, and is not reclassified to property and equipment during the redevelopment.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is derecognised on disposal or when they are permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss in profit or loss.

It is the Company's policy that an external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being appraised, values the portfolio.

(d) Property, plant and equipment

(i) Basis of measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

(iii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives for the current period are as follows:

Buildings	4-20 years
Plant and equipment	2-10 years
Motor vehicles	5 years
Fixtures and fittings	1-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Company's statement of financial position.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the specific identification of their individual costs and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group's of assets (the "cash-generating unit").

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Revenue (rental income)

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Rental income is recognised when the recovery of the consideration is probable and the amount of income can be measured reliably.

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Finance income and finance costs

Finance income comprises interest income from funds invested and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowing and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in gain or net loss position.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Correction of errors

During 2012, management discovered certain errors in the presentation of captions within the statement of comprehensive income relating to the year ended 31 December 2011. Management corrected these errors by adjusting the comparative captions of statement of comprehensive income for the year ended 31 December 2011.

The Company recognised foreign currency exchange gain and loss on a net basis within finance income and finance costs for the year ended 31 December 2012. This change was applied retrospectively, which resulted in a decrease in other income of UAH 684 thousand, decrease in other expenses of UAH 1,014 thousand and a respective increase in finance expenses of UAH 330 thousand for the year ended 31 December 2011.

The Company recognised revenues and the cost of sales on transactions where the Company acted as an agent on a net basis for the year ended 31 December 2012. This change was applied retrospectively, which resulted in a decrease in other income of UAH 12,500 thousand and a respective decrease in other expenses of UAH 12,500 thousand for the year ended 31 December 2011.

The Company recognised income from sales of financial investments and cost of such investments on a net basis for the year ended 31 December 2012. This change was applied retrospectively, which resulted in a decrease in other income of UAH 6,468 thousand and a respective decrease in other expenses of UAH 6,468 thousand for the year ended 31 December 2011.

(m) New Standards and Interpretations not yet adopted

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations:

- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective in the EU for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively. The new Standard is not expected to have a significant effect on the financial statements of the Company.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement.* The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the next years. The Company recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Company's IFRS financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Company does not intend to adopt this standard early.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income.* The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied in the EU retrospectively from 1 July 2012 / 1 January 2013.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective in the EU for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.
- Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013.

The Company has not yet analysed the likely impact of the new standards, above amendments and improvements on its financial position or performance.

4 Property, plant and equipment

Movements in property, plant and equipment for the year ended 31 December 2012 are as follows:

(in thousands of Ukrainian hryvnias)	**Land and buildings**	**Plant and equipment**	**Motor vehicles**	**Fixtures and fittings**	**Total**
Cost					
At 1 January 2012	4,694	441	519	225	5,879
Additions	166	26	19	1	212
Disposals	(3)	(3)	-	(1)	(7)
At 31 December 2012	**4,857**	**464**	**538**	**225**	**6,084**
Accumulated depreciation					
At 1 January 2012	(883)	(212)	(382)	(153)	(1,630)
Depreciation charge	(287)	(68)	(106)	(31)	(492)
Disposals	1	1	-	-	2
At 31 December 2012	**(1,169)**	**(279)**	**(488)**	**(184)**	**(2,120)**
Net book value					
At 1 January 2012	3,811	229	137	72	4,249
At 31 December 2012	**3,688**	**185**	**50**	**41**	**3,964**

Movements in property, plant and equipment for the year ended 31 December 2011 are as follows:

(in thousands of Ukrainian hryvnias) (restated)	**Land and buildings**	**Plant and equipment**	**Motor vehicles**	**Fixtures and fittings**	**Total**
Cost					
At 1 January 2011	3,998	425	494	221	5,138
Additions	696	16	25	4	741
At 31 December 2011	**4,694**	**441**	**519**	**225**	**5,879**
Accumulated depreciation					
At 1 January 2011	(681)	(179)	(350)	(122)	(1,332)
Depreciation charge	(202)	(33)	(32)	(31)	(298)
At 31 December 2011	(883)	(212)	(382)	(153)	(1,630)
Net book value					
At 1 January 2011	3,317	246	144	99	3,806
At 31 December 2011	3,811	229	137	72	4,249

The cost of fully depreciated items of property, plant and equipment amounts to UAH 52 thousand as at 31 December 2012 (31 December 2011: UAH 51 thousand). These items of property, plant and equipment remain in use.

5 Investment property

Investment property as at 31 December is as follows:

(in thousands of UAH)	**2012**	2011 (restated)
Revalued amount		
1 January	**250,830**	223,126
Additions	**2,055**	3,687
Disposals	**-**	(235)
Remeasurement of investment property to fair value	**-**	24,252
31 December	**252,885**	250,830

As at 31 December 2012 investment property with a carrying amount of UAH 125,018 thousand (31 December 2011: UAH 239,872 thousand) is pledged to secure bank loans and borrowings.

The expenses on maintenance of the investment property for the year ended 31 December 2012 amounted to UAH 97 thousand (2011: UAH 148 thousand) and are included in cost of sales (refer to note 13).

Management engaged a registered independent appraiser, having a recognised professional qualification and recent experience in the location and categories of the projects being valued, to estimate the fair value of the Company's investment property as at 31 December 2011. Management believes that the fair value of investment properties has not changed significantly during the year ended 31 December 2012.

As at 31 December 2011 the estimation of fair value was based on certain assumptions, the most important of which are as follows:

- monthly rental rates which were based on contractual and market rental rates ranging from UAH 42.35 to UAH 194.15 per square meter
- discount rates ranging from 13.80% p.a. to 23.76% p.a.

The values assigned to the key assumptions represent management's assessment of future trends in the rental market and are based on both internal and external sources.

Sensitivity

If rental rates as at 31 December 2011 are 1% less than those used in valuation models, the fair value of investment properties would be UAH 2,551 thousand lower. If rental rates are 1% higher, then the fair value of investment properties would be UAH 2,407 thousand higher.

If the discount rates applied as at 31 December 2011 are 1% higher than those used in the valuation models, the fair value of investment properties would be UAH 11,944 thousand lower. If the discount rates are 1% less, then the fair value of investment properties would be UAH 13,242 thousand higher.

6 Trade and other accounts receivable

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

(in thousands of Ukrainian hryvnias)	**2012**	2011
Trade accounts receivable	**6,694**	9,886
Accounts receivable for securities	**5,975**	5,975
Accounts receivable for sales of property and equipment	**1,330**	1,667
Financial aid given	**3,539**	553
Other accounts receivable	**397**	408
Provision for impairment	**(1,239)**	(372)
	16,696	**18,117**

The movement in the provision for impairment in respect of trade and other accounts receivable during the year is as follows:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Balance at 1 January	**372**	979
Impairment loss (reversal of impairment) recognised (note 15)	**867**	(607)
Balance at 31 December	**1,239**	372

During the years ended 31 December 2012 and 2011 the Company provided an interest free financing to the related parties acting in the capacity of shareholder. Upon initial recognition the financial aid given was recognised at fair value. The fair value of the financial aid given upon initial recognition was determined by management using the market interest rate for similar financial instruments of 18% (2011: 19%). Upon initial recognition the difference of UAH 696 thousand (net of the deferred tax of UAH 163 thousand) is recognised as distribution to the related party acting in capacity of the shareholder (2011: nil).

Changes in collection estimates can affect the impairment losses recognised. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus ten percent, the trade and other accounts receivable impairment as at 31 December 2012 would be approximately UAH 167 thousand lower/higher (31 December 2011: UAH 181 thousand).

The Company's exposure to credit and currency risk and impairment losses related to trade and other accounts receivable are discussed in note 19.

7 Investments available for sale

Investments are represented by securities available-for-sale as at 31 December and accounted at cost less impairment. The carrying amount is disclosed as follows:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Shares of JSC "Vinkovetskyi zavod budivelnyh materialiv"	**6,456**	6,456
Shares of JSC "Gadyachska silgosphimiya"	**2,950**	2,950
Shares of JSC "BK "Europe-Asia-Ukraine"	**91**	91
	9,497	9,497

8 Cash and cash equivalents

Cash and cash equivalents as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Bank balances	**37**	9
Short-term deposits	**10**	2,861
	47	2,870

The long-term credit ratings of banks at which cash and cash equivalents are held as at 31 December by Moody's or its equivalent are presented below:

Rating	**2012**	2011
B2	**47**	628
Caa1	**-**	2,242
	47	2,870

As at 31 December 2012 and 2011 cash balances with banks are neither impaired nor past due. The Company's exposure to interest risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 19.

9 Statutory fund

As at 31 December 2012 and 31 December 2011, the declared authorised and paid-in statutory fund amounts to UAH 20,000 thousand. The statutory fund in the Company was owned by the following participants:

	31 December 2012	31 December 2011
	Ownership, %	Ownership, %
SAROUBAS LIMITED	**100**	100
	100	100

The Company is ultimately controlled by Mr. Vitaliy Antonov, citizen of Ukraine. Related party transactions are detailed in note 21.

Dividend payments are restricted to the amount of retained earnings reported in accordance with Ukrainian National Accounting Standards. As at 31 December 2012, the Company had accumulated deficit of UAH 29,109 thousand (31 December 2011: UAH 27,061 thousand) based on the statutory financial statements (unaudited).

10 Loans and borrowings

This note provides information about the contractual terms of loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk refer to note 19.

Loans and borrowings as at 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Non-current		
Secured bank loans	**23,553**	27,402
Unsecured loans from a related party	**40,924**	40,910
	64,477	68,312
Current		
Secured bank loans	**1,680**	3,038
Unsecured loans from a related party	**5,713**	1,200
	7,393	4,238
	71,870	72,550

Terms and debt repayment schedule

As at 31 December 2012, the terms and debt repayment schedule of bank loans are as follows:

(in thousands of Ukrainian hryvnias)	**Currency**	**Nominal interest rate**	**Effective interest rate**	**Year of maturity**	**Carrying amount**
Related party	USD	11%	11%	2013	**5,713**
Local Ukrainian bank	USD	1m Libor + 8%	8%	2013	**1,680**
Local Ukrainian bank	USD	11%	11%	2014-2018	**23,553**
Related party	USD	11%	11%	2014	**40,924**
					71,870

As at 31 December 2011, the terms and debt repayment schedule of bank loans are as follows:

(in thousands of Ukrainian hryvnias)	**Currency**	**Nominal interest rate**	**Effective interest rate**	**Year of maturity**	**Carrying amount**
Local Ukrainian bank	USD	1m Libor + 8%	8%	2012	3,038
Related party	USD	11%	11%	2012	1,200
Local Ukrainian bank	USD	1m Libor + 8%	8%	2013	1,679
Local Ukrainian bank	USD	11%	11%	2013-2018	25,723
Related party	USD	11%	11%	2014	40,910
					72,550

The Company has a renewable loan facility with a limit up to USD 3,713 thousand (approximately UAH 29,678 thousand) with a local Ukrainian bank. The loan is payable in varying installments from 2011 to 2018. The effective interest rate is 11% per annum. As at 31 December 2012 the loan was secured by investment properties of the Company with carrying value of UAH 125,018 thousand (31 December 2011: UAH 239,872 thousand).

According to the terms of the loan agreement the Company has to comply with the following covenants:

- The Company should perform 80% of all payments through the current accounts, opened with the bank.
- Current assets to current liabilities ratio is not less than 1.

The Company complied with the covenants as at 31 December 2012 and 2011.

11 Trade and other accounts payable

Trade and other accounts payable as at 31 December are as follow:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Trade payables	**1,278**	3,868
Other payables	**64**	1,049
Accrual for unused vacations	**75**	78
	1,417	4,995

The exposure to currency and liquidity risks related to trade and other accounts payable is disclosed in note 19.

12 Revenues

Revenues for the years ended 31 December 2012 and 2011 comprise the rental income.

13 Cost of sales

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

(in thousands of Ukrainian hryvnias)	**2012**	2011
Utilities	**5,678**	4,429
Depreciation	**437**	249
Rent	**1,452**	1,451
Land tax	**1,008**	1,023
Salary and salary related charges	**661**	619
Security services	**584**	640
Materials	**127**	129
Maintenance	**97**	148
Other	**275**	90
	10,319	8,778

14 General administrative expenses

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

(in thousands of Ukrainian hryvnias)	**2012**	2011
Salary and salary related charges	**753**	679
Professional services	**248**	251
Depreciation	**55**	49
Communications	**42**	47
Other	**268**	345
	1,366	1,371

15 Other expenses

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

(in thousands of Ukrainian hryvnias)	**2012**	2011
Impairment of trade and other accounts receivable	**867**	-
Loss on disposal of investments property	**-**	165
Fines and penalties	**332**	74
Other expenses	**255**	72
	1,454	311

16 Personnel costs

Personnel costs for the year ended 31 December are as follows:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Wages and salaries	**1,035**	950
Social security charges	**379**	348
	1,414	1,298

17 Finance costs

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

(in thousands of Ukrainian hryvnias)	**2012**	2011
Foreign exchange loss	**131**	330
Interest expense	**7,990**	9,350
	8,121	9,680

18 Income tax (benefit) expense

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

(in thousands of Ukrainian hryvnias)	**2012**	2011
Current income tax expense	-	-
Deferred tax (benefit) expense	(9,923)	7,435
	(9,923)	7,435

The applicable tax rate for the Company is 21% from 1 January 2012 to 31 December 2012 (1 April 2011 - 31 December 2011: 23%, 1 January 2011- 31 March 2011: 25%). According to the current tax code of Ukraine, the income tax rate applicable for the Company from 1 January 2013 to 31 December 2013 will be 19%; after 31 December 2013 will be 16%.

(a) Reconciliation of effective tax rate

The reconciliation of effective tax rate for the year ended 31 December is as follows:

(in thousands of Ukrainian hryvnias)	**2012**	%	2011	%
Profit/(loss) before tax	**(922)**	**100%**	23,094	100%
Income tax at applicable tax rate	**(194)**	**0.21**	5,427	0.235
Non-deductible expenses	**121**	**(0.13)**	126	0.01
Change in unrecognized deferred tax assets	**602**	**(0.65)**	-	-
Change in estimate regarding the timing of reversal of temporary differences	**(10,452)**	**11.34**	1,882	0.08
Income tax (benefit) expense	(9,923)	10.77	7,435	0.325

(b) Recognised deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the items detailed as follows:

(in thousands of Ukrainian hryvnias)	Assets		Liabilities		Net	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011	**31 December 2012**	31 December 2011
Investment property	-	-	**(35,164)**	(45,956)	**(35,164)**	(45,956)
Trade and other accounts receivables	**332**	89	-	-	**332**	89
Tax losses carried forward	**1,810**	2,615	-	-	**1,810**	2,615
Other	**46**	190	-	-	**46**	190
Deferred tax assets (liabilities)	**2,188**	2,894	**(35,164)**	(45,956)	**(32,976)**	(43,062)

Movements in recognised deferred tax assets and liabilities by types of temporary differences during the year ended 31 December 2012 are as follows:

(in thousands of Ukrainian hryvnias)	**As at 1 January 2012**	**Recognised in profit or loss**	**Recognised in equity**	**As at 31 December 2012**
Investment property	(45,956)	10,792	-	(35,164)
Trade and other accounts receivables	89	80	163	332
Tax losses carried forward	2,615	(805)	-	1,810
Other	190	(144)	-	46
Net deferred tax liabilities	(43,062)	9,923	163	(32,976)

Movements in recognised deferred tax assets and liabilities by types of temporary differences during the year ended 31 December 2011 are as follows:

(in thousands of Ukrainian hryvnias)	**As at 1 January 2011**	**Recognised in profit or loss**	**As at 31 December 2011**
Investment property	(38,014)	(7,942)	(45,956)
Trade and other accounts receivables	297	(208)	89
Tax losses carried forward	2,557	58	2,615
Other	(467)	657	190
Net deferred tax liabilities	(35,627)	(7,435)	(43,062)

(c) Unrecognised deferred tax assets

Deferred tax assets as at 31 December are not recognised in respect of the following items:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Tax losses carried forward	**602**	-
	602	-

These deferred tax assets are not recognised on taxable differences based on management's determination that it is not probable the Company will be able to utilise these temporary differences in the future.

19 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for managing and measuring risk, and the management of capital.

The management has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit risk

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

(in thousands of Ukrainian hryvnias)	**31 December 2012**	31 December 2011
Trade and other accounts receivable	**16,696**	18,117
Cash and cash equivalents	**47**	2,870
	16,743	20,987

The Company's policy is to manage its credit risk by holding cash balances in different banks.

In addition to the credit risk, the Company is exposed to the risk of non-recoverability of advances made amounting to UAH 749 thousand as at 31 December 2012 (31 December 2011: UAH 3,518 thousand).

(i) Trade and other accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management has no formal credit policy in place for customers and the exposure to credit risk is approved and monitored on an ongoing basis individually for all significant customers. The Company does not require collateral in respect of trade and other accounts receivable.

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

Impairment losses

The ageing of trade and other accounts receivables was as follows:

	31 December 2012		31 December 2011	
(in thousands of Ukrainian hryvnias)	**Gross**	**Impairment**	Gross	Impairment
Not past due	**5,619**	**-**	3,877	-
Past due and impaired	**12,316**	**(1,239)**	14,612	(372)
	17,935	**(1,239)**	18,489	(372)

(c) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments, as at 31 December 2012:

(in thousands of Ukrainian hryvnias)	**Total carrying amount**	**Total contractual cash flows**	**Within 1 year**	**1-5 years**	**Over 5 years**
Loans and borrowings	**71,870**	**89,423**	**14,501**	**72,722**	**2,200**
Trade and other accounts payable	**1,417**	**1,417**	**1,417**	**-**	**-**
	73,287	**90,840**	**15,918**	**72,722**	**2,200**

The following are the contractual maturities of financial liabilities, including interest payments, as at 31 December 2011:

(in thousands of Ukrainian hryvnias)	**Total carrying amount**	**Total contractual cash flows**	**Within 1 year**	**1-5 years**	**Over 5 years**
Loans and borrowings	72,550	97,470	11,833	76,492	9,145
Trade and other accounts payable	4,995	4,995	4,995	-	-
	77,545	102,465	16,828	76,492	9,145

(d) Market risk

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

(i) Foreign currency risk

The Company is exposed to currency risk on purchases that are denominated in a currency other than the Ukrainian hryvnias (UAH), primarily the U.S. Dollar (USD).

Ukrainian legislation restricts the ability of Ukrainian companies to hedge their exposure to foreign currency risk, and, accordingly, the Company does not hedge its exposure to foreign currency exchange risk.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on nominal amounts:

(in thousands of Ukrainian hryvnias)	**31 December 2012** **USD**	31 December 2011 USD
Loans and borrowings	**(71,870)**	(72,550)
Cash and cash equivalents	-	2,242
Net short position	**(71,870)**	(70,308)

Sensitivity analysis

A 10 percent weakening of the Ukrainian hryvnia against the USD would have decreased net profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of Ukrainian hryvnias)	**31 December 2012**	31 December 2011
USD	**5,678**	5,379

A 10 percent strengthening of the Ukrainian hryvnia against the USD would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of issuing new debt management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Refer to note 10 for information about maturity dates and effective interest rates of loans and borrowings. Re-pricing for fixed rate financial instruments occurs at the maturity of fixed rate financial instruments.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or as available for sale. Therefore, changes in interest rates at the reporting dates would not affect profit or loss and equity.

Variable rate financial liabilities as at 31 December and 1 January are as follows:

(in thousands of Ukrainian hryvnias)	**31 December 2012**	31 December 2011
Variable rate financial liabilities	**1,680**	4,622

A 100 basis points increase in interest rates would have decreased net profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and has applied to floating rate interest bearing liability based on the assumption that the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

(in thousands of Ukrainian hryvnias)	**31 December 2012**	31 December 2011
Variable rate financial liabilities	**13**	35

A 100 basis points decrease in interest rates at 1 January 2011 would have had equal but opposite effect on net profit and equity, on the basis that all other variables remain constant.

(e) Fair values

The estimated fair values of the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using market prices for actively traded financial assets and discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realisation of the unrealised gains and losses can have an effect on fair value estimates and have not been considered.

Management believes that for all the financial assets and liabilities the carrying value is estimated to approximate the fair value.

20 Commitments and contingencies

(a) Capital commitments

As at 31 December 2012 and 31 December 2011 the Company does not have any capital commitments.

(b) Litigations

The Company is involved in various legal proceedings in the ordinary course of business. Management does not believe the result of any such actions will have a material effect on the financial condition or will result in a disruption of the operations of the Company.

(c) Taxation contingencies

The Company performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between different official agencies are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines and penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ.

No provisions for potential tax assessments have been made in these financial statements.

21 Related party transactions

Related parties comprise participants, key management personnel of the Company and their close family members and companies that are controlled or significantly influenced by participants.

(a) Transactions with management

Key management received the following remuneration, which is included in general and administrative expenses, during the year ended 31 December:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Salary and salary-related charges	**54**	54

(b) Transactions and balances with parent company

During the year ended 31 December the Company had the following transactions with its parent company:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Loans and borrowings	**40,924**	40,910
Interest expense	**4,513**	5,138

(c) Transactions and balances with entities with joint control or significant influence over the entity

During the year ended 31 December the Company had the following transactions with its related parties:

(in thousands of Ukrainian hryvnias)	**2012**	2011
Rent income	**6,241**	4,530
Sales of current assets	**-**	1,753
Sales of financial investments	**-**	1,868
Financial aid given	**4,374**	3,660
Rent expenses	**1,452**	1,451
Purchase of other services	**1,323**	750
Purchase of current assets	**-**	2,031

The Company had the following balances with its related parties:

(in thousands of Ukrainian hryvnias)	**31 December 2012**	31 December 2011
Assets		
Trade and other accounts receivable	**13,820**	10,502
Advances made	**7**	3,331
	13,827	13,833
Liabilities		
Trade and other payables	**1,013**	2,591
	1,013	2,591

22 Subsequent events

Subsequent to 31 December 2012 the Company has renegotiated the terms of Credit line agreement with its related party and decreased the interest rate from 11% to 5%.

On 20 May 2013 the Company concluded an agreement to sell investments available for sale at selling price equal to the carrying amount as at 31 December 2012 of UAH 9,497 thousand.

Oleg Klok
General Director, LLC "Tekhnopark LZTA"

12 June 2013

Vira Stahiv
Chief Accountant, LLC "Tekhnopark LZTA"

Товариство з обмеженою відповідальністю
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Independent Auditors' Report

To the management of Limited Liability Company
"Tekhnopark LZTA"

We have audited the accompanying financial statements of Limited Liability Company "Tekhnopark LZTA" (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 about 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 risks 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 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 qualified audit opinion.

Basis for Qualified Opinion

The Company calculated the deferred tax liabilities as at and for the year ended 31 December 2011 using improper tax rates. International Financial Reporting Standard IAS 12 *Income Tax* requires that deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Had the Company used proper income tax rates, the deferred tax liability as at 31 December 2011 would have been decreased and retained earnings at that date would have been increased by UAH 10,942 thousand respectively, income tax benefit for the year ended 31 December 2012 would have been decreased by UAH 10,942 thousand and income tax expense for the year ended 31 December 2011 would have been decreased by UAH 4,288 thousand.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 3(l) to the financial statements, are based on the financial statements of the Company as at and for the year ended 31 December 2011, which were audited by other auditors whose report dated 27 September 2012 expressed an unmodified opinion on those statements. As part of our audit of the 2012 financial statements, we have audited the adjustments described in Note 3(l) to the financial statements that were applied to restate the 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2011 financial statements taken as a whole.

JSC KPMG Audit

12 June 2013
JSC KPMG Audit