



AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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Independent auditors' report on review of condensed consolidated interim financial information to the members of AFI DEVELOPMENT PLC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AFI Development PLC as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes (interim financial information). The Company's Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Chartered Accountants

Nicosia, 18 August 2010

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

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AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period from 1 January 2010 to 30 June 2010

	Note	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
Revenue			
Rental income		21,042	17,845
Construction consulting/management services		<u>426</u>	<u>416</u>
		21,468	18,261
Other income		30	4,341
Operating expenses		(7,778)	(4,036)
Administrative expenses		(5,683)	(6,663)
Other expenses	6	<u>(2,190)</u>	<u>(464)</u>
		<u>5,847</u>	<u>11,439</u>
Profit on disposal of investments in subsidiaries		<u>-</u>	<u>23</u>
Valuation (loss)/gain on investment property	7	(40,362)	262,315
Impairment loss on trading properties	13,14	(1,251)	(16,048)
Impairment loss on property, plant and equipment	12	(12,882)	-
Impairment of prepayment for investment	15	<u>(7,511)</u>	<u>-</u>
Net valuation (loss)/gain		<u>(62,006)</u>	<u>246,267</u>
Net proceeds from sale of trading properties		18,013	11,589
Carrying value of trading properties sold		<u>(12,080)</u>	<u>(8,356)</u>
Profit on disposal of trading properties		<u>5,933</u>	<u>3,233</u>
Results from operating activities		<u>(50,226)</u>	<u>260,962</u>
Finance income		3,966	16,824
Finance costs		<u>(11,829)</u>	<u>(516)</u>
Net finance (costs)/income	8	<u>(7,863)</u>	<u>16,308</u>
(Loss)/profit before income tax		(58,089)	277,270
Income tax expense	9	<u>(4,939)</u>	<u>(62,120)</u>
(Loss)/profit for the period		<u>(63,028)</u>	<u>215,150</u>
Attributable to:			
Owners of the parent		(63,010)	214,623
Non-controlling interest		<u>(18)</u>	<u>527</u>
(Loss)/profit for the period		<u>(63,028)</u>	<u>215,150</u>
Earnings per share			
Basic and diluted earnings per share (cent)		<u>(12.03)</u>	<u>40.97</u>

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2010 to 30 June 2010

	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
(Loss)/profit for the period	(63,028)	215,150
Other comprehensive income:		
Exchange difference on translating foreign operations	<u>(21,781)</u>	<u>(49,094)</u>
Total comprehensive income for the period	<u>(84,809)</u>	<u>166,056</u>
Total comprehensive income attributable to:		
Owners of the parent	(84,752)	165,645
Non-controlling interest	<u>(57)</u>	<u>411</u>
	<u>(84,809)</u>	<u>166,056</u>

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2010 to 30 June 2010

	<u>Attributable to the owners of the Company</u>				<u>Total</u> US\$ '000	<u>Non-</u> <u>controlling</u> <u>interest</u> US\$ '000	<u>Total</u> US\$ '000
	<u>Share</u> <u>Capital</u> US\$ '000	<u>Share</u> <u>Premium</u> US\$ '000	<u>Translation</u> <u>Reserve</u> US\$ '000	<u>Retained</u> <u>Earnings</u> US\$ '000			
Balance at 1 January 2009	<u>524</u>	<u>1,763,933</u>	<u>(122,157)</u>	<u>85,215</u>	<u>1,727,515</u>	<u>1,866</u>	<u>1,729,381</u>
Total comprehensive income for the period							
Profit for the period	-	-	-	214,623	214,623	527	215,150
Other comprehensive income							
Foreign currency translation differences	-	-	(48,978)	-	(48,978)	(116)	(49,094)
Total comprehensive income for the period	-	-	(48,978)	214,623	165,645	411	166,056
Transactions with owners, recorded directly in equity							
Share option expense	-	-	-	685	685	-	685
Balance at 30 June 2009	<u>524</u>	<u>1,763,933</u>	<u>(171,135)</u>	<u>300,523</u>	<u>1,893,845</u>	<u>2,277</u>	<u>1,896,122</u>
Balance at 1 January 2010	<u>524</u>	<u>1,763,933</u>	<u>(142,745)</u>	<u>80,949</u>	<u>1,702,661</u>	<u>2,867</u>	<u>1,705,528</u>
Total comprehensive income for the period							
Loss for the period	-	-	-	(63,010)	(63,010)	(18)	(63,028)
Other comprehensive income							
Foreign currency translation differences	-	-	(21,742)	-	(21,742)	(39)	(21,781)
Total comprehensive income for the period	-	-	(21,742)	(63,010)	(84,752)	(57)	(84,809)
Transactions with owners, recorded directly in equity							
Share option expense	-	-	-	14	14	-	14
Balance at 30 June 2010	<u>524</u>	<u>1,763,933</u>	<u>(164,487)</u>	<u>17,953</u>	<u>1,617,923</u>	<u>2,810</u>	<u>1,620,733</u>

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2010

	Note	30/6/10 US\$ '000	31/12/09 US\$ '000
Assets			
Investment property	10	153,161	140,476
Investment property under development	11	1,471,636	1,290,191
Property, plant and equipment	12	88,150	102,749
Other investments		40,297	42,959
Long-term loans receivable		37	38
VAT recoverable		26,214	29,780
Intangible assets		<u>153</u>	<u>150</u>
Total non-current assets		<u>1,779,648</u>	<u>1,606,343</u>
Trading properties	13	31,451	42,050
Trading properties under construction	14	170,799	171,229
Inventory		319	324
Short-term loans receivable		74	73
Trade and other receivables	15	98,015	126,748
Cash and cash equivalents		133,786	210,830
Assets classified as held for sale	11	-	<u>190,044</u>
Total current assets		<u>434,444</u>	<u>741,298</u>
Total assets		<u>2,214,092</u>	<u>2,347,641</u>
Equity			
Share capital	16	524	524
Share premium	16	1,763,933	1,763,933
Translation reserve	16	(164,487)	(142,745)
Retained earnings		<u>17,953</u>	<u>80,949</u>
Total equity attributable to owners of the Company	16	1,617,923	1,702,661
Non-controlling interest		<u>2,810</u>	<u>2,867</u>
Total equity		<u>1,620,733</u>	<u>1,705,528</u>
Liabilities			
Long-term loans and borrowings	17	353,832	322,096
Deferred tax liability		<u>42,895</u>	<u>44,592</u>
Total non-current liabilities		<u>396,727</u>	<u>366,688</u>
Short-term loans and borrowings	17	46,583	94,005
Trade and other payables	18	120,628	151,702
Income tax payable		6,234	1,892
Deferred income		<u>23,187</u>	<u>27,826</u>
Total current liabilities		<u>196,632</u>	<u>275,425</u>
Total liabilities		<u>593,359</u>	<u>642,113</u>
Total equity and liabilities		<u>2,214,092</u>	<u>2,347,641</u>

The condensed consolidated interim financial statements were approved by the Board of Directors on 18 August 2010.

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period from 1 January 2010 to 30 June 2010

	Note	1/1/10- 30/6/10 US\$'000	1/1/09- 30/6/09 US\$'000
Cash flows from operating activities			
(Loss)/profit for the period		(63,028)	215,150
<i>Adjustments for:</i>			
Depreciation	12	648	403
Interest income	8	(3,966)	(5,883)
Interest expense		3,768	516
Share option expense		14	685
Net valuation loss/(gain)		62,006	(246,267)
Profit on disposal of investments		-	(23)
Loss on disposal of property, plant and equipment		72	102
Change in fair value of other investments		8	-
Unrealised loss/(gain) on foreign exchange	8	6,784	(10,733)
Income tax expense	9	4,939	62,120
		<u>11,245</u>	<u>16,070</u>
Change in trade and other receivables		10,599	8,053
Change in inventories		5	(73)
Change in trading properties under construction		10,864	3,458
Change in trade and other payables		(956)	(45,437)
Change in deferred income		<u>(4,639)</u>	<u>1,312</u>
		27,118	(16,617)
Income taxes paid		<u>(701)</u>	<u>(1,513)</u>
Net cash used in operating activities		<u>26,417</u>	<u>(18,130)</u>
Cash flows from investing activities			
Interest received		1,547	5,738
Net cash outflow from the acquisition of investments		-	(31,894)
Cash received from investment portfolio		2,654	-
Receipts in advance for the sale of investment		2,506	-
Payment of deferred expenses associated to the disposal of an investment		(1,950)	-
Change in advances and payables to builders		(1,898)	85,902
Payments for investment property under development		(70,058)	(94,187)
Change in VAT recoverable		8,903	(6,030)
Payments for acquisition of property, plant and equipment		(2,133)	(742)
Payment for acquisition of intangible assets		<u>(3)</u>	<u>-</u>
Net cash used in investing activities		<u>(60,432)</u>	<u>(41,213)</u>
Cash flows from financing activities			
Payment for loans receivable		-	(64)
Proceeds from loans and borrowings		55,706	31,135
Repayment of loans and borrowings		(60,285)	(24,269)
Interest paid		<u>(25,235)</u>	<u>(15,269)</u>
Net cash used in financing activities		<u>(29,814)</u>	<u>(8,467)</u>
Effect of exchange rate fluctuations		<u>(13,215)</u>	<u>(2,954)</u>
Net decrease in cash and cash equivalents		(77,044)	(70,764)
Reclassification to other financial assets		-	(69,238)
Cash and cash equivalents at 1 January		<u>210,830</u>	<u>272,498</u>
Cash and cash equivalents at 30 June		<u>133,786</u>	<u>132,496</u>
The cash and cash equivalents consist of:			
Cash at banks		133,786	132,488
Cash in hand		-	8
		<u>133,786</u>	<u>132,496</u>

The notes on pages 7 to 16 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the period from 1 January 2010 to 30 June 2010

1. INCORPORATION AND PRINCIPAL ACTIVITY

AFI Development PLC (the “Company”) was incorporated in Cyprus on 13 February 2001 as a limited liability company under the name Donkamill Holdings Limited. In April 2007 the Company was transformed into public company and changed its name to AFI Development PLC. The address of the Company’s registered office is 25 Olympion Street, 3035 Limassol, Cyprus. The Company is a 54% (31/12/2009: 71,20%) indirect subsidiary of Africa Israel Investments Ltd (“Africa-Israel”), which is listed in the Tel Aviv Stock Exchange (“TASE”). The decrease was a result of the debt restructuring of Africa-Israel’s debt to the holders of its previously issued bonds (the “Settlement”), pursuant to which Africa-Israel converted part of its debt into AFI Development’s equity amounting to 92,720,923 shares, representing circa 17.7% of the Company’s equity capital. In order to facilitate this part of the Settlement, Africa-Israel converted a corresponding amount of its shares in the Company into GDRs. Following the completion of the Settlement, Africa-Israel remained AFI Development’s majority shareholder with 54% of the Company’s shares. In addition, Africa-Israel has pledged 126,605,557 of its GDRs in the Company to the bond holders. A 9.7% of the Company’s share capital is held by Nirro Group S.A. and the remaining shareholding of A shares is held by a custodian bank in exchange for the GDRs issued and listed in the London Stock Exchange (“LSE”). On 5 July 2010 the Company issued by way of a bonus issue 523,847,027 B shares, which were admitted to a premium listing on the Official List of the UK Listing Authority and to trading on the main market of LSE. On the same date, the ordinary shares of the Company were designated A shares. Further details on notes 16 and 22.

The condensed consolidated interim financial statements of the Company for the period from 1 January 2010 to 30 June 2010 comprise of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in jointly controlled entities. The principal activity of the Group is real estate investment and development.

The principal activity of the Company is the holding of investments in subsidiaries and joint ventures.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 “Interim Financial Reporting”. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

4. ESTIMATES

The preparation of interim financial statements 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. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

5. OPERATING SEGMENT

The Group has 4 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different types of real estate products and services and are managed separately because they require different marketing strategies as they address different types of clients. For each strategic business unit the Group's management reviews internal management reports on at least a monthly basis. The following summary describes the operation in each of the Group's reportable segments:

- Development Projects – Commercial projects: Include construction of property for future lease.
- Development Projects – Residential projects: Include construction and selling of residential properties.
- Asset Management: Includes the operation of investment property for lease.
- Other – Land bank: Includes the investment and holding of property for future development.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's management team. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Development projects				Asset management		Other - land bank		Total	
	Commercial projects		Residential projects		30/6/2010 US\$'000	30/6/2009 US\$'000	30/6/2010 US\$'000	30/6/2009 US\$'000	30/6/2010 US\$'000	30/6/2009 US\$'000
	30/6/2010 US\$'000	30/6/2009 US\$'000	30/6/2010 US\$'000	30/6/2009 US\$'000						
External revenues	878	-	18,013	11,589	20,164	17,844	-	1	39,055	29,434
Inter-segment revenue	3	11	3	-	150	512	127	-	283	523
Reportable segment profit/loss before income tax	(389)	2,899	6,039	2,886	11,104	13,454	(11,868)	7,839	4,886	27,078
Reportable segment assets	1,067,110	1,150,065	261,240	301,763	501,302	423,569	191,024	221,742	2,020,676	2,097,139

Note:

Development projects – all investment projects under construction, including construction of residential properties

Asset management – yielding property management (all commercial properties)

Reconciliation of reportable segment revenues and profit or loss

	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
Revenues		
Total revenue for reportable segments	39,338	29,957
Construction consulting/management services	426	416
Elimination of inter-segment revenue	<u>(283)</u>	<u>(523)</u>
Consolidated revenue	<u>39,481</u>	<u>29,850</u>

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

5. OPERATING SEGMENT (continued)

Reconciliation of reportable profit or loss	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
Profit or loss		
Total profit of reportable segments	4,886	27,078
Other profit or (loss)	(969)	3,925
Net valuation (loss)/gain	<u>(62,006)</u>	<u>246,267</u>
Consolidated (loss)/profit before income tax	<u>(58,089)</u>	<u>277,270</u>

6. OTHER EXPENSES

	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
Land lease expense	(1,582)	-
Prior year's VAT non recoverable	<u>(608)</u>	<u>(464)</u>
	<u>(2,190)</u>	<u>(464)</u>

7. VALUATION (LOSS)/GAIN ON INVESTMENT PROPERTY

30/6/2010: Represents fair value adjustments on investment properties and investment properties under construction on 30/6/2010. The adjustments reflect mainly changes on the fair value of the land bank properties which were valued by external appraisers in May 2010. All other investment property under development projects, apart from an impairment of Kosinskaya, were not adjusted as the examination of their fair value on 30 June 2010 did not reveal significant differences between their book value and market value.

30/6/2009: Represents a fair value adjustment on investment property under development based on improvements to IAS 40 "Investment Property" posted on 1 January 2009 and fair value adjustment of 30 June 2009 based on further valuations by professional appraisers.

8. FINANCE COST AND FINANCE INCOME

	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
Interest income	3,966	5,883
Net change in fair value of financial assets	-	208
Net foreign exchange gain	<u>-</u>	<u>10,733</u>
Finance income	<u>3,966</u>	<u>16,824</u>
Interest expense on loans and borrowings	(674)	(1,354)
Interest expense on bank loans	(25,517)	(14,456)
Interest capitalised	22,423	15,356
Net change in fair value of financial assets	(1,119)	-
Other finance costs	(158)	(62)
Net foreign exchange loss	<u>(6,784)</u>	<u>-</u>
Finance costs	<u>(11,829)</u>	<u>(516)</u>
Net finance (costs)/income	<u>(7,863)</u>	<u>16,308</u>

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

9. INCOME TAX EXPENSE

	1/1/10- 30/6/10 US\$ '000	1/1/09- 30/6/09 US\$ '000
Current tax	(5,043)	(545)
Deferred tax benefit/(expense)	<u>104</u>	<u>(61,575)</u>
Total income tax expense	<u>(4,939)</u>	<u>(62,120)</u>

10. INVESTMENT PROPERTY

	30/6/10 US\$ '000	31/12/09 US\$ '000
Balance 1 January	140,476	186,275
Transfer from investment property under development	23,592	-
Renovations/additional cost	703	6,434
Fair value adjustment	(7,047)	(50,531)
Effect of movement in foreign exchange rates	<u>(4,563)</u>	<u>(1,702)</u>
Balance 30 June / 31 December	<u>153,161</u>	<u>140,476</u>

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. The same applies for investment properties under development in note 11 below. The last valuation took place on 30 June 2010.

During the period the commercial area and fitness centre of the second building of Four Winds project was completed and were reclassified as Investment property.

11. INVESTMENT PROPERTY UNDER DEVELOPMENT

	30/6/10 US\$ '000	31/12/09 US\$ '000
Balance 1 January	1,290,191	1,112,003
Additions due to acquisitions of subsidiaries	-	45,156
Construction costs	69,355	185,342
Capitalised interest	22,107	25,997
Transfer from trading properties under construction	-	25,773
Transfer from/(to) assets classified as held for sale	144,035	(190,044)
Fair value adjustment	(12,626)	89,454
Transfer to investment property	(23,592)	-
Transfer to trading properties	(301)	-
Disposal	-	(75)
Effect of movements in foreign exchange rates	<u>(17,533)</u>	<u>(3,415)</u>
Balance 30 June / 31 December	<u>1,471,636</u>	<u>1,290,191</u>

On 30 June 2010 the Company decided to reclassify the Kossinskaya project from "assets held for sale" back to investment property under development due to the uncertainty of fulfilment of the agreement and future date of closing. Pursuant to the reclassification and according to valuation made by professional appraisers the Company recorded an impairment of US\$20,689 thousand.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

12. PROPERTY, PLANT AND EQUIPMENT

	30/6/10 US\$ '000	31/12/09 US\$ '000
Balance 1 January	102,749	102,833
Additions	2,133	4,497
Depreciation for the period/year	(648)	(898)
Disposals	(72)	(357)
Impairment during the period	(12,882)	-
Effect of movements in foreign exchange rates	<u>(3,130)</u>	<u>(3,326)</u>
Balance 30 June / 31 December	<u>88,150</u>	<u>102,749</u>

Impairment during the period represents the decrease in fair value of the Kislovodsk area hotels "Kalinina" and "Versailles".

13. TRADING PROPERTIES

	30/6/10 US\$ '000	31/12/09 US\$ '000
Balance 1 January	42,050	-
Transfer from investment property under development	301	-
Transfer from trading properties under construction	-	58,236
Impairment during the period/year	(1,251)	(3,407)
Disposals	(12,080)	(13,622)
Effect of movements in foreign exchange rates	<u>2,431</u>	<u>843</u>
Balance 30 June / 31 December	<u>31,451</u>	<u>42,050</u>

Trading properties comprise of:

Four Winds II complex and Ozerkovskaya emb. 26 residential building complex. The Group has sold during the period a number of these residential flats.

14. TRADING PROPERTIES UNDER CONSTRUCTION

	30/6/10 US\$ '000	31/12/09 US\$ '000
Balance 1 January	171,229	271,035
Construction costs	1,216	8,382
Fair value adjustment	-	(12,641)
Transfer to trading properties	-	(58,236)
Transfer to investment property under development	-	(25,773)
Capitalised interest	316	2,162
Disposals	-	(5,463)
Effect of movements in exchange rates	<u>(1,962)</u>	<u>(8,237)</u>
Balance 30 June / 31 December	<u>170,799</u>	<u>171,229</u>

Trading properties under construction comprise of Botanic Garden and Otradnoye projects. Both projects involve primarily the construction of residential properties.

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15. TRADE AND OTHER RECEIVABLES

	30/6/10 US\$ '000	31/12/09 US\$ '000
Advances to builders	37,346	38,763
Amounts receivable from related companies	5,473	5,258
Prepayments for acquisition of investments	10,000	10,000
Trade receivables	14,297	8,915
Other receivables	16,259	39,909
VAT recoverable	13,580	22,850
Tax receivables	<u>1,060</u>	<u>1,053</u>
	<u>98,015</u>	<u>126,748</u>

Advances to builders

Include an amount of US\$3,158 thousand (31/12/2009: US\$NIL) prepaid to Danya Cebus Rus LLC, related party of the Group, for the construction of the Moscow City mall.

Other receivables

Other receivable included on 31 December 2009 an amount of US\$21,473 thousand prepaid to Straitline B.V. for the acquisition of 100% shareholding in Pinkerton Limited owning 100% of the share capital of JSC WTIC Mercury, registered in the Russian Federation with regard to the Moscow City Hotel project. On 5 May 2010 the Company received an amount of EUR14,010 thousand equivalent to US\$18,353 thousand in full settlement of the above. The remaining balance of US\$3,120 thousand together with additional prepayments for expenses and construction costs in relation to the same project of US\$4,391 thousand, were recognised as impairment of prepayment for investment on 31 March 2010.

16. SHARE CAPITAL AND RESERVES

	30/6/10 US\$ '000	31/12/09 US\$ '000
<u>Share Capital</u>		
Authorised 1,000,000,000 shares of US\$0.001 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid 523,847,027 shares of US\$0.001 each	<u>524</u>	<u>524</u>

See post balance sheet events note for further details on changes on share capital on 5 July 2010.

Share premium

It represents the share premium on the issued shares on 31 December 2006 for the conversion of the shareholders' loans to capital US\$421,325 thousand. It also includes the share premium on the issued shares which were represented by GDRs listed in the LSE in 2007. It was the result of the difference between the offering price, US\$14, and the nominal value of the shares, US\$0.001, after deduction of all listing expenses. An amount of US\$1,399,900 thousand less US\$57,292 thousand transaction costs was recognised during the year 2007.

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16. SHARE CAPITAL AND RESERVES (continued)**Employee Share option plan**

The Company has established an employee share option plan which is operated by the Board of Directors. Eligible are employees and directors, excluding independent directors, of the Company and employees and directors of the ultimate holding company, Africa Israel Investments Ltd and its subsidiaries. The employees share option plan is discretionary and options will be granted only when the Board so determines at an exercise price derived from the closing middle market price preceding the date of grant.

Options over 974,855 GDRs were granted up to 30 June 2010 to Russian and Israeli employees and directors with an exercise price of US\$14 vesting one-third on the second anniversary of the date of grant, a further one-third on the third anniversary and the remaining one-third, on the fourth anniversary of the date of grant provided that the participants remain in employment until the vesting date. The contractual life is ten years.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to the Group presentation currency and the foreign exchange differences on loans designated as loans to an investee company which are accounted for as part of the investor's investment (IAS21.15) as their repayment is not planned or likely to occur in the foreseeable future. These foreign exchange differences are recognised directly to Translation Reserve.

Retained earnings

The amount at each reporting date is available for distribution. No interim dividends were proposed, declared or paid during the six-month period ended 30 June 2010.

17. LOANS AND BORROWINGS

	30/6/10 US\$ '000	31/12/09 US\$ '000
<u>Non-current liabilities</u>		
Secured bank loans	353,832	312,096
Secured loan from non-related company	-	10,000
	<u>353,832</u>	<u>322,096</u>
<u>Current liabilities</u>		
Secured bank loans	12,412	10,087
Unsecured bank loans	-	49,566
Secured loan from non-related company	20,198	20,345
Unsecured loans from other non-related companies	13,973	14,007
	<u>46,583</u>	<u>94,005</u>

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17. LOANS AND BORROWINGS (continued)

There were no significant movements of loans and borrowings during the period apart for the following:

- (i) Up to 30 June 2010 the company withdrew RUR 6,378 (31/12/2009: RUR 4,888) million as part of the non-revolving credit line of a total of RUR 8,448 million which was obtained from VTB Bank on 28 August 2008. This credit line initially carried interest of 14.25% (rouble terms) which increased to 16% (rouble terms) on April 2009. The funds drawn under the credit line are being used to finance the construction of the Moscow-City Mall project. The credit line is secured by a pledge over 100% of the shares of Bellgate Constructions Limited, a lien over 75% of the development rights regarding the project, and a mortgage of commercial spaces when completed. AFI Development's guarantee is one of the elements of collateral for this credit line. On 26 July 2010 the Company reached an agreement with VTB Bank extending the repayment period by two years to August 2013 and lowering the interest rate to 13.25% (rouble terms)
- (ii) A non-revolving credit line which was obtained from VTB Bank for RUR 1,488 million on 1 August 2008 and carried interest of 16% (rouble terms) was redeemed on 1 March 2010.

18. TRADE AND OTHER PAYABLES

	30/6/10	31/12/09
	US\$ '000	US\$ '000
Trade payables	200	234
Payables to related parties	1,887	2,000
Amount payable to builders	9,668	12,983
VAT and other taxes payable	2,366	1,416
Down payments received for construction projects	-	1,484
Provisions for construction costs	247	625
Receipts in advance from sale of investment	45,867	70,311
Other payables	<u>60,393</u>	<u>62,649</u>
	<u>120,628</u>	<u>151,702</u>

Receipts in advance from sale of investment

On 6 August 2009, the Company has entered into a sale and purchase agreement for the Kosinskaya project, through the sale of subsidiary Rognerstar Finance Limited. Under the original terms, sale proceeds of US\$195 million were expected to be received within one year, by August 2010. Up to 30 June 2010 the Company received US\$73 million (31/12/2009: US\$70 million) less expenses incurred in relation to the sale. As of the date of the financial statements the buyer has not paid the full amount and the title of the assets is still under the ownership of the Company. Due to the uncertainty of fulfillment the agreement and future date of closing, the company had decided to reclassify Kosinskaya project from assets classified as held for sale to investment property under development on 30 June 2010. Pursuant to the reclassification and according to valuation made by independent appraisers the Company recorded an impairment of US\$20,689 thousand. In addition, the Company also decided to derecognise US\$25 million from "receipts in advance from sale of investment" as this amount represents the minimum amount that is not refundable according to the contact.

Other payables

Include an amount of US\$52,960 thousand (31/12/2009: US\$57,508 thousand) payable to the 50% partner of the joint venture Krown Investments LLC.

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19. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

20. RELATED PARTIES

Outstanding balances with related parties	30/6/10	31/12/09
	US\$ '000	US\$ '000
<u>Assets</u>		
Amounts receivable from ultimate holding company	206	503
Amounts receivable from joint ventures	4,805	4,384
Advances issued to other related companies	3,158	302
Amounts receivable from other related companies	<u>462</u>	<u>372</u>
<u>Liabilities</u>		
Amounts payable to ultimate holding company	-	266
Amounts payable to other related companies	<u>1,887</u>	<u>1,735</u>
Transactions with the key management personnel	30/6/10	30/6/09
	US\$ '000	US\$ '000
Key management personnel compensation comprised:		
Short-term employee benefits	<u>945</u>	<u>969</u>
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The person is a member of the key management personnel of the entity or its parent (includes the immediate, intermediate or ultimate parent). Key management is not limited to directors; other members of the management team also may be key management.		
Other related party transactions	30/6/10	30/6/09
	US\$ '000	US\$ '000
Revenue		
Joint venture – consulting services	379	368
Joint venture – interest income	2,359	3,002
Key management personnel – interest income	<u>-</u>	<u>16</u>

21. GROUP ENTITIES

During the six month period ended 30 June 2010 the Group did not acquire any subsidiaries.

During the year ended 31 December 2009 the Group acquired or incorporated the following subsidiaries:

100% of Ropler Engineering Inc, a British Virgin Islands company, which owns 100% shareholding of OOO Centr Dosuga Molodegi, registered in Russia. OOO Centr Dosuga Molodegi LLC holds the land rights in Kunstevo project.

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21. GROUP ENTITIES (continued)

100% of Amakri Management Limited and 100% of Jaquetta Investments Limited, Cypriot companies, owning cumulatively 100% shareholding of ABG Sozidatel, which holds land rights in Zaporozhie project in Ukraine.

60% of OOO Stroycapital, registered in the Russian Federation. OOO Stroycapital holds the land rights in Volgograd project.

22. SUBSEQUENT EVENTS

Subsequent to 30 June 2010 there were no events that took place which have a bearing on the understanding of these financial statements except of the following:

On 21 May 2010 the Company's AGM increased its authorized share capital to 2,000,000,000 shares of US\$0.001 each. On 5 July 2010 the Company issued 523,847,027 B shares, which were admitted to a premium listing on the Official List of the UK Listing Authority and to trading on the main market of London Stock Exchange ("LSE"). The B shares were issued as a bonus issue to the shareholders on the basis of one B share for every one ordinary share held at close on 2 July 2010. The ordinary shares were designated A ordinary shares, in accordance with approval granted at the Company's AGM on 21 May 2010. The company retained its GDR listing as well. Since then each GDR represents one A ordinary share.