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19 August 2010

AFI DEVELOPMENT PLC
RESULTS FOR THE SIX MONTHS TO 30 JUNE 2010

AFI Development PLC ("AFI Development"/"the Company"), a leading real estate company focused on developing property in Russia and the CIS, has today announced its financial results for the quarter ended 30 June 2010.

Financial Highlights:
H1 2010

- Loss before tax for six months to 30 June 2010 was US$58.1 million compared to profit of US$277.3 million for six months to 30 June 2009.
- Net loss for six months to 30 June 2010 was US$63.0 million compared to profit of US$215.1 million for six months to 30 June 2009.
- Revenues including net proceeds from the sale of trading properties increased to US$39.5 million for six months to 30 June 2010 compared to US$29.9 million for six months to 30 June 2009.
- Cash position remains strong with US$133.8 million in cash and cash equivalents as at 30 June 2010.
- The loss for the period mainly represents a non-cash item resulting from the valuation performed by Jones Lang LaSalle ("JLL") in May 2010. For the purposes of its Prospectus for the Admission of B Shares to the Premium Listing, Jones Lang LaSalle performed a full valuation of the land bank and the hotel properties that had not been valued since 2008 due to market conditions. According to this valuation report, the total value of these assets was US$535.4 million compared to US$464 million of their book value. Based on the guiding accounting principles and the adoption of a conservative approach by the Company, the Company has decided in its financial statements for the six months ended 30 June 2010 to reflect the impairments of the assets that were valued below their book costs in an aggregate amount of circa US$34 million, and not to reflect the upward movements of more than US$100 million in the remaining assets.

Q2 2010 Operational Highlights:

- Opening of Mall of Russia is confirmed for the first week of December 2010 with a minimum expected occupancy of 75%. Approximately 58% of the GLA is now fully pre-let.
- Construction at Ozerkovskaya Embankment (Phase III) has resumed following suspension due to the global economic recession. Completion is currently scheduled for 2011.
- Premium Listing: AFI Development received approval for the listing of its B shares from the UKLA on 30 June 2010. The shares were subsequently admitted for trading on the main market of the London Stock Exchange under the ticker AFRB on 5 July 2010.

Management Changes:

- The Company has appointed Mrs. Leviev-Elazarov as the Company's Head of Marketing, Asset Management and Business Development. Mrs. Leviev-Elazarov brings a wealth of experience in commercial property management and marketing and will focus specifically on the Mall of Russia's launch and further lettings.
- Mr. Zeev Klein has been appointed manager of the Mall of Russia and has been leading the preparations for the opening. Mr. Klein has extensive experience in shopping mall management in Eastern Europe.

Commenting on today's announcement, Lev Leviev, Chairman of AFI Development, said:

"This has been a very active six months for AFI Development as we advanced the construction of our key projects. We particularly look forward to the completion of the Mall of Russia and its opening in December this year, which will be one of the major events in the Russian real estate market in 2010 and will demonstrate the Company's project development and implementation abilities and professionalism.

Over the last few years we have carefully managed our financial position and the implementation of our developments to reflect the state of the market. We believe the positive growth trend in the real estate sector and the wider Russian economy is now firmly established and will be sustained. As a result of our decisions in previous years, AFI Development is well positioned with its positive cashflow and strong capital structure to benefit from this improving situation. In addition, we continue to selectively resume the development of suspended projects, which are supported by the financing lenders.

We believe that by applying this approach we will be ready to meet demand at the right moment with a pipeline of successful new projects. In the first half of 2010 we resumed work at the office complex at Ozerkovskaya Embankment, Phase III, which is expected to be completed in 2011.

This is the first occasion on which we are reporting our results as a company with a Premium Listing on the London Stock Exchange, which evidences the Company's commitment to highest corporate governance practices."

- ends -

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Chairman’s Statement

In the second quarter of 2010, market conditions improved allowing us to resume works on a number of projects. Currently, the Company is focusing on the development of major projects such as the Mall of Russia and the Tverskaya Zastava shopping centre. These key projects are unique assets, which the Directors believe will be transformative for their local environments in Moscow.

In July 2010, the opening of the Mall of Russia was confirmed for the first week of December 2010. Approximately 58% of the GLA is now fully pre-let. The Company expects approximately 70-80% of the development’s gross lettable area to be leased by the time of the opening. With a total area of 179,930 square metres, a shopping gallery of 305 stores, a cinema with 1,154 seats, and a supermarket of 1,500 square metres, the Mall of Russia is one of Europe’s largest retail developments in recent years. Confirmed tenants include major international retailers such as Marks & Spencer, Gap, H&M, Zara, Next, Bodyshop, as well as X5, Russia’s largest retail company.

In the second quarter of 2010 works continued on a number of other key projects such as the Ozerkovskaya Embankment and Paveletskaya developments.

Concentrating on these projects is intended to ensure a stable cash flow position for the Company until markets stabilise further. We will consider reactivating additional projects if conditions continue to improve in the second half of 2010.

In the first half of 2010, the Company continued to work towards its Premium Listing on the London Stock Exchange with the necessary corporate actions required for the Premium Listing being approved at the Company’s Annual General Meeting on 21 May 2010. Following the approval of the prospectus by the UKLA on 30 June 2010, the Company’s ‘B’ shares commenced trading on 5 July 2010 under the ticker AFRB. The Premium Listing is expected to bring numerous benefits to our investors, including greater transparency and heightened disclosure, and a consequent increase in the liquidity of our securities.

Results:

Our results for the period reflect a first revaluation of the land bank portfolio since 2008, when the Company decided, jointly with its valuation advisors, that “abnormal uncertainty” caused by “market instability” as described in RICS guidelines, Note 5, prevented ascribing market value to such assets.

In May 2010, for the purposes of its Prospectus for the Admission of B Shares to Premium Listing, JLL performed a full valuation of the land bank and the hotels properties that had not been valued since 2008 due to market conditions. According to this valuation report, the total value of these assets was US$535.4 million compared to US$464 million of their book value. Based on the guiding accounting principles and the adoption of a conservative approach by the Company, the Company has decided in its financial statements for the six months ended 30 June 2010 to reflect the impairments of the assets that were valued below their book costs, in an aggregate amount of circa US$34 million and not to reflect the upward movements of more than US$100 million in the remaining assets.

Mr. Leviev, Chairman

Results of Operations for 6 months ended 30 June 2010 and 2009

	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	426	416
	21,468	18,261
Other income	30	4,341
Operating expenses	(7,778)	(4,036)
Administrative expenses	(5,683)	(6,663)
Other expenses	(2,190)	(464)
	5,847	11,439
Profit on disposal of investments in subsidiaries	-	23
Valuation (loss)/gain on investment property	(40,362)	262,315
Impairment loss on trading properties	(1,251)	(16,048)
Impairment loss on property, plant and equipment	(12,882)	-
Impairment of prepayment for investment	(7,511)	-
Net valuation (loss)/gain	(62,006)	246,267
Net proceeds from sale of trading properties	18,013	11,589
Carrying value of trading properties sold	(12,080)	(8,356)
Profit on disposal of trading properties	5,933	3,233
Results from operating activities	(50,226)	260,962
Finance income	3,966	16,824
Finance costs	(11,829)	(516)
Net finance (costs)/income	(7,863)	16,308
(Loss)/profit before income tax	(58,089)	277,270
Income tax expense	(4,939)	(62,120)
(Loss)/profit for the period	(63,028)	215,150
Attributable to:		
Owners of the parent	(63,010)	214,623
Non-controlling interest	(18)	527
(Loss)/profit for the period	(63,028)	215,150

Revenue. Revenue increased by US$3,207 thousand, or 18 per cent, from US$18,261 thousand for the six months ended 30 June 2009 to US$21,468 thousand for the six months ended 30 June 2010 mainly due to the increase in rental income, mostly due to the opening of the Aquamarine Hotel in the fourth quarter of 2009.

Other Income. Other income decreased by US$4,311 thousand, or 99 per cent, from US$4,341 thousand for the six months ended 30 June 2009 to US$30 thousand for the six months ended 30 June 2010. Other income in 2009 consisted mainly of income generated from the sale of 50 per cent interest in Crown Investments.

Operating expenses. Operating expenses increased by US$3,742 thousand, or 93 per cent, from US$4,036 thousand for the six months ended 30 June 2009 to US$7,778 thousand for the six months ended 30 June 2010. This increase was mainly due the commencement of operation of the Aquamarine Hotel in the fourth quarter of 2009.

Administrative expenses. Administrative expenses decreased by US$980 thousand, or 15 per cent, from US$6,663 thousand for the six months ended 30 June 2009 to US$5,683 thousand for the six months ended 30 June 2010. This decrease is attributable to both a decrease in charity donations and share option expenses and an increase in professional services expenses (audit, valuation etc).

Net valuation (loss)/gain. Net result of valuation decreased by US$308,273 thousand or 125 per cent, from a gain of US$246,267 thousand for the six months ended 30 June 2009 to a loss of US$62,006 thousand for the six months ended 30 June 2010. The significant valuation gain for the six months ended 30 June 2009 was mainly due to the implementation of the amendment of International Accounting Standard 40 "Investment Property". In accordance with the revised IAS 40, which became effective on 1 January 2009, we started disclosing investment property under development on a fair value basis, which led to a significant valuation gain recorded in the first six months of 2009.

At the same time, since 31 December 2008, following consultation with Jones Lang LaSalle ("JLL"), several "land bank" projects have not been valued due to "abnormal uncertainty" caused by "market instability" as defined in RICS guidelines Note 5. Due to the stabilization in market conditions in 2010, a valuation was undertaken by JLL on 31 May 2010. Based on the report prepared by JLL and the conservative approach adopted by the Company, the Company recorded impairments on the value of those "land bank" properties where their values appeared to be below their book costs, leading to an aggregate loss of US$ 21,144 thousand.

Additionally, during the six months ended 30 June 2010 the Company recognized an impairment loss on trading properties of US$1,251 thousand and impairment loss on property, plant and equipment of US$12,882 thousand, which relate to projects that were not previously revalued. The impairment loss on property, plant and equipment relates to the following assets: Westec Four Winds, Kalinina Hotel and Versailles Hotel.

Profit on disposal of trading properties. Profit on disposal of trading properties increased by US$2,700 thousand, or 84 per cent, from US$3,233 thousand for the six months ended 30 June 2009 to US$5,933 thousand for the six months ended 30 June 2010. This significant increase was primarily the result of the increase in residential sales at Ozerkovskaya and Four Winds. The increase was affected by both the volume of sales and class of apartments sold in these developments.

Other expenses. Other expenses increased by US$1,726 thousand, from US$464 thousand for the six months ended 30 June 2009 to US$2,190 thousand for the six months ended 30 June 2010. This change is mainly due to the fact that land lease expenses in relation to the Otradnoe project were capitalized in the six months ended 30 June 2009, but were only expensed in the six months ended 30 June 2010.

Results from operating activities. Results from operating activities decreased by US$311,188 thousand, or 119 per cent, from a profit of US$260,962 thousand for the six months ended 30 June 2009 to a loss of US$50,226 thousand for the six months ended 30 June 2010 mainly due to the accounting treatment of investment property under development on a fair value resulting from the amendment of IAS 40, as explained above.

Net finance (costs)/income

The following table sets forth our net finance costs for the six months ended 30 June 2010 and 30 June 2009:

	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	-	10,733
Finance income	3,966	16,824
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	(6,784)	-
Finance costs	(11,829)	(516)
Net finance (costs)/income	(7,863)	16,308

Net finance costs are finance income less finance expenses. Net finance result decreased by US$24,171 thousand or 148 per cent, from an income of US$16,308 thousand for the six months ended 30 June 2009 to an expense of US$7,863 thousand for the six months ended 30 June 2010. This decrease was principally due to a US$17,517 thousand decrease in net foreign exchange gain, a US$1,327 thousand increase in fair value loss on financial assets, a US$3,314 thousand increase in interest expense less interests capitalized and a US$1,917 thousand decrease in financial income on bank deposits and cash equivalents.

Finance income

Our finance income decreased by US$12,858 thousand, or 76 per cent, from US$16,824 thousand for the six months ended 30 June 2009 to US$3,966 thousand for the six months ended 30 June 2010, mainly due to a lower amount of interest income from bank deposits in the six months ended 30 June 2010 as compared to the six months ended 30 June 2009 and unfavorable foreign exchange trends.

Finance costs

Finance costs increased by US$11,313 thousand, from US$516 thousand for the six months ended 30 June 2009 to US$11,829 thousand for the six months ended 30 June 2010, mainly due to an increase in foreign exchange loss of US$6,784 thousand and in interest expense less interests capitalized of US$3,314 thousand.

Our capitalized interest costs increased by US$7,067 thousand, or 46 per cent, from US$15,356 thousand for the six months ended 30 June 2009 to US$22,423 thousand for the six months ended 30 June 2010, due to the additional drawdown of funds for the construction of the Mall of Russia project under the credit line with VTB Bank.

Net foreign exchange gain / (loss)

Net foreign exchange gain/(loss) decreased by US$17,517 thousand from a gain of US$10,733 thousand for the six months ended 30 June 2009 to a loss of US$6,784 thousand for the six months ended 30 June 2010. This change can be mainly explained by the following facts: i) significant part of the gain for the six months ended 30 June 2009 (US$8,794 thousand) related to account receivable from Rognerstar (US$154,000 thousand), which was settled in the third quarter of 2009; ii) US$3,101 thousand of the gain for the six months ended 30 June 2009 related to the credit line from VTB (RUR 1,488 million), which was redeemed in the first quarter of 2010; and (iii) foreign exchange loss received from funds converted to euro in the beginning of 2010.

Profit before income tax

Profit before income tax decreased by US$335,359 thousand, or 123 per cent, from a gain of US$277,270 thousand for the six months ended 30 June 2009 to a loss of US$58,089 thousand for the six months ended 30 June 2010. This decrease mainly relates to the accounting treatment of investment property under development on a fair value basis since 1 January 2009, due to the amendment of IAS 40 and foreign exchange fluctuations.

Income tax

Our income tax expense decreased by US$57,181 thousand, or 92 per cent, from US$62,120 thousand for the six months ended 30 June 2009 to US$4,939 thousand for the six months ended 30 June 2010. Our income tax expense consists of a current tax expense and deferred tax expense. During the six months ended 30 June 2009 and 2010 we incurred the following income tax benefit/ (expenses):

	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)	104	(61,575)
Total income tax expense	(4,939)	(62,120)

Current tax expense

Our current tax expenses increased by US$4,498 thousand, from US$545 thousand for the six months ended 30 June 2009 to US$5,043 thousand for the six months ended 30 June 2010. The reason for this increase was a 77 per cent increase in residential sales for the six months ended 30 June 2010 compared to the six months ended 30 June 2009 and a US$3,197 thousand or 18% increase in rental income. The Cypriot rate of corporate income tax remained unchanged during the six months ended 30 June 2009 and 2010 and profit on disposal of investments in subsidiaries is not subject to income tax in Cyprus.

Deferred tax (expense)/benefit

Deferred tax expense decreased by US$61,679 thousand, from a US$61,575 thousand expense for the six months ended 30 June 2009 to a US$104 thousand benefit for the six months ended 30 June 2010. A significant amount of the deferred tax expense for the six months ended 30 June 2009 resulted from the amendment of International Accounting Standard 40 "Investment Property" and disclosure of investment property under development on a fair value basis since 1 January 2009.
The corporate income tax rate in the Russian Federation remained unchanged during the six months ended 30 June 2009 and 2010.

(Loss)/profit for the year

Due to the factors described above, the Company recorded a loss of US$63,028 thousand for the six months ended 30 June 2010, compared to a gain of US$215,150 thousand for the six months ended 30 June 2009.

Liquidity and Capital Resources

Cash Flows

For the 6 months ended 30 June 2010 and 2009

The following table sets out the Company's consolidated cash flows for the six months ended 30 June 2010 and 2009.

	For the 6 months ended 30 June	
	2010	**2009**
	(US$ in thousands)	
Net cash from/(used in) operating activities	**26,417**	**(18,130)**
Net cash (used in) investing activities	**(60,432)**	**(41,213)**
Net cash (used in) financing activities	**(29,814)**	**(8,467)**
Effect of exchange rate fluctuations	(13,215)	(2,954)
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	210,830	272,498
Cash and cash equivalents at 30 June	**133,786**	**132,496**

IFRS requires the Company to identify a property as an investment property or a trading property at the time it acquires it and the determination, once made, cannot be changed even if the Company's objectives with respect to such property change. Generally, AFI Development's strategy is to sell the residential properties the Company develops and to lease the commercial properties it develops, subject to continuous reassessment of such properties based on prevailing market conditions. As a result, the Company has historically classified all of its commercial properties as investment properties and its residential properties as trading properties. The effect of this is that, when the Company sells all or a portion of one of its commercial properties, the principal cash flow effects of such a sale are reflected in cash from investing activities, rather than cash from operating activities, even though it has engaged in substantial development activity in respect of such properties. Alternatively, if the Company sells all or a portion of one of its residential properties, the principal cash flow effects of such a sale are reflected in cash flows from operating activities.

Net cash used in operating activities

Net cash used in operating activities increased by US$44,547 thousand, or 246 per cent, from an outflow of US$18,130 thousand for the six months ended 30 June 2009 to an inflow of US$26,417 thousand for the six months ended 30 June 2010. This increase was primarily attributable to an increase in cash receipts from the residential sales at Ozerkovskaya and Four Winds projects for the six months ended 30 June 2010 as compared to the six months ended 30 June 2009, which was caused by an increase in the volume of sales, and the commencement of operation of the Aquamarine Hotel in the fourth quarter of 2009.

Net cash used in investing activities

Outflow from investing activities increased by US$19,219 thousand, or 47 per cent, from US$41,213 thousand for the six months ended 30 June 2009 to US$60,432 thousand for the six months ended 30 June 2010. The lower outflow in 2009 was due to a significant inflow of circa US$12,000 thousand of returned advance payments from Enka Insaat ve Sanaayi A.S. There was no significant change in the construction spending during the period.

Net cash from financing activities

Outflow from financing activities increased by US$21,347 thousand, or 252 per cent, from US$8,467 thousand for the six months ended 30 June 2009 to US$29,814 thousand for the six months ended 30 June 2010. This increase was mainly due to changes in drawdowns and redemption of credit lines in the reporting period as compared to the six months ended 30 June 2009. The Company obtained a credit line of US$54,878 thousand from VTB for the financing of the Mall of Russia project in the reporting period as opposed to US$30,143 thousand obtained in the six months ended 30 June 2009 and has redeemed US$49,685 thousand from the VTB credit line as opposed to US$11,897 thousand redeemed during the six months ended 30 June 2009 under the loan from Citi Bank.

Effect of exchange rate fluctuations

The Company recorded an increase in the negative effect resulting from exchange rate fluctuations from US$2,954 thousand for the six months ended 30 June 2009 to US$13,215 thousand for the six months ended 30 June 2010, primarily due to the milder strengthening of the US Dollar against the Rouble in the six months ended 30 June 2010 by three per cent, compared with its strengthening by seven per cent in the six months ended 30 June 2009.

Capital resources

During the period under review we met our cash requirements principally through borrowings. There were no significant movements of loans and borrowings during the period apart for the following:

Up to 30 June 2010 the Company withdrew RUR 6,378 (31 December 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 Mall of Russia 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 which extended the repayment period by two years to August 2013 and lowered the interest rate to 13.25% (Rouble terms).

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.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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

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		426	416
		21,468	18,261
Other income		30	4,341
Operating expenses		(7,778)	(4,036)
Administrative expenses		(5,683)	(6,663)
Other expenses	6	(2,190)	(464)
		5,847	11,439
Profit on disposal of investments in subsidiaries		-	23
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	(7,511)	-
Net valuation (loss)/gain		(62,006)	246,267
Net proceeds from sale of trading properties		18,013	11,589
Carrying value of trading properties sold		(12,080)	(8,356)
Profit on disposal of trading properties		5,933	3,233
Results from operating activities		(50,226)	260,962
Finance income		3,966	16,824
Finance costs		(11,829)	(516)
Net finance (costs)/income	8	(7,863)	16,308
(Loss)/profit before income tax		(58,089)	277,270
Income tax expense	9	(4,939)	(62,120)
(Loss)/profit for the period		(63,028)	215,150
Attributable to:			
Owners of the parent		(63,010)	214,623
Non-controlling interest		(18)	527
(Loss)/profit for the period		(63,028)	215,150
Earnings per share			
Basic and diluted earnings per share (cent)		(12.03)	40.97

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	(21,781)	(49,094)
Total comprehensive income for the period	(84,809)	166,056
Total comprehensive income attributable to:		
Owners of the parent	(84,752)	165,645
Non-controlling interest	(57)	411
	(84,809)	166,056

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

	Attributable to the owners of the Company					Non-controlling interest	Total
	Share Capital US$ '000	Share Premium US$ '000	Translation Reserve US$ '000	Retained Earnings US$ '000	Total US$ '000	US$ '000	US$ '000
Balance at 1 January 2009	524	1,763,933	(122,157)	85,215	1,727,515	1,866	1,729,381
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	524	1,763,933	(171,135)	300,523	1,893,845	2,277	1,896,122
Balance at 1 January 2010	524	1,763,933	(142,745)	80,949	1,702,661	2,867	1,705,528
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	524	1,763,933	(164,487)	17,953	1,617,923	2,810	1,620,733

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 POSITION

AS 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		153	150
Total non-current assets		1,779,648	1,606,343
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	-	190,044
Total current assets		434,444	741,298
Total assets		2,214,092	2,347,641
Equity			
Share capital	16	524	524
Share premium	16	1,763,933	1,763,933
Translation reserve	16	(164,487)	(142,745)
Retained earnings		17,953	80,949
Total equity attributable to owners of the Company	16	1,617,923	1,702,661
Non-controlling interest		2,810	2,867
Total equity		1,620,733	1,705,528
Liabilities			
Long-term loans and borrowings	17	353,832	322,096
Deferred tax liability		42,895	44,592
Total non-current liabilities		396,727	366,688
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		23,187	27,826
Total current liabilities		196,632	275,425
Total liabilities		593,359	642,113
Total equity and liabilities		2,214,092	2,347,641

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
Adjustments for:			
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
		11,245	16,070
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		(4,639)	1,312
		27,118	(16,617)
Income taxes paid		(701)	(1,513)
Net cash used in operating activities		26,417	(18,130)
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		(3)	-
Net cash used in investing activities		(60,432)	(41,213)
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		(25,235)	(15,269)
Net cash used in financing activities		(29,814)	(8,467)
Effect of exchange rate fluctuations		(13,215)	(2,954)
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		210,830	272,498
Cash and cash equivalents at 30 June		133,786	132,496
The cash and cash equivalents consist of:			
Cash at banks		133,786	132,488
Cash in hand		-	8
		133,786	132,496

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**			
	Commercial projects		Residential projects						Total	
	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
	30/6/2010 US$'000	31/12/2009 US$'000	30/6/2010 US$'000	31/12/2009 US$'000	30/6/2010 US$'000	31/12/2009 US$'000	30/6/2010 US$'000	31/12/2009 US$'000	30/6/2010 US$'000	31/12/2009 US$'000
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	(283)	(523)
Consolidated revenue	39,481	29,850

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	(62,006)	246,267
Consolidated (loss)/profit before income tax	(58,089)	277,270

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	(608)	(464)
	(2,190)	(464)

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	-	10,733
Finance income	3,966	16,824
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	(6,784)	-
Finance costs	(11,829)	(516)
Net finance (costs)/income	(7,863)	16,308

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)	104	(61,575)
Total income tax expense	(4,939)	(62,120)

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	(4,563)	(1,702)
Balance 30 June / 31 December	153,161	140,476

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	(17,533)	(3,415)
Balance 30 June / 31 December	1,471,636	1,290,191

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	(3,130)	(3,326)
Balance 30 June / 31 December	88,150	102,749

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	2,431	843
Balance 30 June / 31 December	31,451	42,050

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	(1,962)	(8,237)
Balance 30 June / 31 December	170,799	171,229

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

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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	1,060	1,053
	98,015	126,748

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

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

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.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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	31/12/09
	US$ '000	US$ '000
Non-current liabilities		
Secured bank loans	353,832	312,096
Secured loan from non-related company	-	10,000
	353,832	322,096
Current liabilities		
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
	46,583	94,005

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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 US$ ’000	31/12/09 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	60,393	62,649
	120,628	151,702

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.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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 US$ '000	31/12/09 US$ '000
Assets		
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	462	372
Liabilities		
Amounts payable to ultimate holding company	-	266
Amounts payable to other related companies	1,887	1,735

Transactions with the key management personnel	30/6/10 US$ '000	30/6/09 US$ '000
Key management personnel compensation comprised:		
Short-term employee benefits	945	969

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 US$ '000	30/6/09 US$ '000
Revenue		
Joint venture – consulting services	379	368
Joint venture – interest income	2,359	3,002
Key management personnel – interest income	-	16

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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AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2010 to 30 June 2010

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.