



Dragon

Ukrainian Properties & Development plc

The sky's the limit

Dragon – Ukrainian Properties & Development plc
Interim Report 2007

Dragon – Ukrainian Properties & Development plc

(DUPD) is a real estate investment company, listed on the Alternative Investment Market (AIM) of the London Stock Exchange, focusing mainly on the development of high-quality commercial and residential properties in Ukraine.

The investment objective of the company is to provide shareholders with strong capital growth by taking on existing opportunities in the retail, office and residential sectors in partnership with leading developers and operators.

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Fast Facts and Highlights

\$208m
raised on AIM

\$12.0m
investment in Henryland
Group Limited

\$10.75m
investment in Komarova
Shopping Centre

\$9.0m
investment in Pine Forest
Riverside Estates

Fast Facts

DUPD was formed to invest in the development of high-quality commercial and residential real estate assets in Ukraine and to recognise significant returns on such investments.

104 million ordinary shares were placed with institutional investors in June 2007 at \$2.00 per share, raising gross proceeds of \$208 million.

Our investor base comprises some of the world's leading investment banks, prominent institutional investors and hedge funds, which allows us access to a large pool of capital.

We retain a team of in-house and external local professional advisers including property consultants and legal, accounting and tax experts.

The founder and sponsor of DUPD is Dragon Capital, Ukraine's leading investment bank.

Highlights of the Period

Launched onto AIM in June with a \$208 million placing, we are the largest Ukrainian real estate IPO to date.

We have committed to an investment of \$12 million, through a share capital increase, in Henryland Group Ltd (a BVI SPV), aiming at constructing six retail facilities across various Ukrainian regions. The first such facility is expected to be completed during the last quarter of 2007.

We have purchased 6.33 hectares of forested land in a picturesque Kyiv suburb and have committed capital to fund the initial construction phase, totalling \$9 million. Together with local partners who own 6.25 hectares of land adjacent to our land plot, we have started to develop an upscale gated community comprising up to 100 cottages and town houses.

We have agreed to acquire 50% + 1 share interest in Hindale Executive Investments Limited (a Cypriot SPV), through a staged share capital increase aggregating \$10.75 million, in order to co-develop, alongside a very reputable Ukrainian developer, a 45,000 GBA shopping centre in Borschahivka, a large residential district of Kyiv.

About DUPD

Dragon-Ukrainian Properties & Development plc is an Isle of Man registered company formed in February 2007 to invest in the development of new commercial properties and redevelopment of existing properties in Ukraine.

DUPD will utilise the property investment and development expertise of Dragon Capital Partners Limited (“DCP” or “Manager”) and, where a joint venture arrangement is appropriate, local Ukrainian partners.

DCP has been appointed to provide advisory, investment management and monitoring services to DUPD in respect of property development opportunities in Ukraine. DCP is an affiliate of Dragon Capital, a leading Ukrainian financial institution specialising in the provision of investment banking, securities trading, asset management and private equity services.

Dragon Capital received the “Best Equities House in Ukraine” award in 2002, 2004, 2005, 2006 and 2007 from Euromoney, a leading financial journal. The senior management of DCP possesses unparalleled expertise in the Ukrainian investment and real estate markets. In addition, DCP has access to the additional resources of Dragon Development Limited, a Ukrainian company specialising in the provision of real estate development services with particular expertise in the retail sector.

DUPD is currently reviewing investment opportunities in the Ukrainian real estate sector, which fall within its investment strategy.



About Ukraine

Ukraine is Europe's second largest country by territory.

The Ukrainian commercial property market and, in particular, development of new, and re-development of existing properties in the retail, office and residential sectors, presents a solid investment opportunity due to the following:

- > high rental yields are available in the Ukrainian property market relative to other European markets;
- > in the short and medium term, demand for high-quality retail, office and residential space should continue to exceed supply as the country's economy develops. Coupled with limited availability of high quality property stock, this is expected to exert strong upward pressure on rent levels; and
- > over the foreseeable future, the Ukrainian real estate market is likely to experience further yield compression, following the trend in other Central and Eastern European countries.

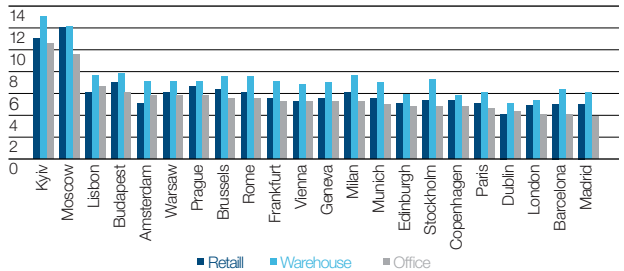
Our Investment Strategy

Our initial focus is on the development of new, and re-development of existing commercial properties in the retail and office sectors. However, we also pursue alternative types of investment in real estate, including acquisitions of substantial land fields which offer development potential for large-scale residential projects.

Our initial investment and development activities focus on Kyiv and Kyiv oblast as well as other major regional centres in Ukraine where the population exceeds 700,000 people. Investment opportunities in smaller, yet important centres in Ukraine may be exploited by the Company, on a selective basis.

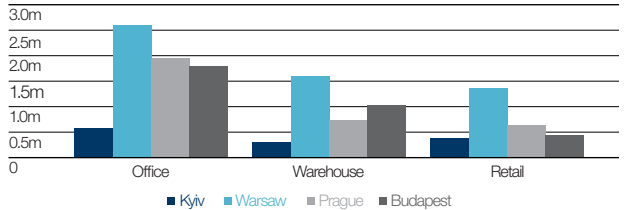
Whilst our primary focus is on the development and re-development of commercial properties and, to a lesser extent, on secondary market acquisitions, we actively seek opportunities to enter into sale-and-leaseback arrangements, mainly in the retail sector where we believe such opportunities are likely to be present, given the continued expansion of the Ukrainian retail sector.

Current Prime Yields (%)



Source: Colliers International

Availability of Modern Real Estate Facilities by Type, m² (2006)



Source: Colliers International

Growth Drivers

There has been renewed confidence in the Ukrainian economy by both domestic and international investors, and a strong increase in consumer demand for property, fuelled by an increase in real disposable income and purchasing power within the local population. In the short and medium term, demand for high quality retail, office and residential space should continue to exceed supply as the country's economy develops.

Although Ukraine's commercial real estate market has grown rapidly over the past few years, it remains significantly less mature than Western and even Central European markets. Strong demand for quality product is evident in all property segments.

Prime rental yields in Kyiv continue to be the highest among 22 other capitals of Western, Central and Eastern Europe. Further yield compression is unquestionable, as Ukraine makes progress towards EU integration. This will result in a substantial increase of real estate values over the foreseeable future.

DUPD's Projects

Henryland Group Limited

The project entails the acquisition of a 4.27-hectare land plot in Odessa with follow-on construction of a 17,000m² real estate asset, attainment of land lease rights on a 4-hectare land plot in Kremenchug with subsequent construction of a 15,000m² retail commercial facility, acquisition of a 12,312m² real estate asset in Lutsk for re-development, and the acquisition of three additional land plots in regional centres of Ukraine and further development of retail shopping centres on such land plots. Following the completion of each facility, "Nova Linea",

a leading DIY retailer in Ukraine, will lease a substantial part of the premises under long-term lease agreements. Upon completion of all six facilities (envisioned during late 2009), DUPD will facilitate its exit from the investment through a trade sale of the real estate holding company to a third party property investor. The relatively short period of the investment increases potential investors' returns on the project substantially, while assuming a very low risk profile, given the availability of a secured anchor tenant for all these locations.

Pine Forest Riverside Estates

The project entails attainment of ownership rights on a 6.33-hectare forested land plot located on the picturesque bank of a canal which flows into the Desna and Dnipro Rivers, with subsequent development of a gated community comprising up to 100 cottages and town-houses. The development is located within 20km from the borders of Kyiv and will be undertaken jointly with the owners of an adjacent 6.25-hectare land plot. The respective share of DUPD in the greater project (both land plots) will represent 50.3%. This proportion will

be used for sharing utility and infrastructure costs (gas, electricity, roads, and common facilities) with the owners of the adjacent land plot. Growing demand for quality suburban housing in the Ukrainian market, coupled with the project's unique location and promise of quality leisure infrastructure, will increase its marketability, providing additional comfort for investors. Given the fact that the project is already in the early stages of construction, with the initial permits being received, it is scheduled for completion in mid 2009.

Komarova Shopping Centre

The project entails the green-field development of a community shopping centre with a total area of approximately 45,000m² in Borschahivka – a large residential district on the right-bank of Kyiv. The leased and properly zoned land plot of 1.2 hectares is located on Komarova Ave., which is an intensive city thoroughfare connecting the district with downtown. The project will consist of two retail levels and one entertainment level, as well as two levels of parking, and will constitute the first quality shopping centre in the area.

DUPD has agreed to purchase a 50%+1 share of the project in August 2007 by forming a Cypriot-based joint venture with Tiko Construction, a leading local developer of retail and office schemes. The architectural concept is currently under development. Once design documentation is produced and approved, construction is aimed to commence in spring 2008. The scheme is planned to be mostly let to class-A retailers prior to completion in autumn 2009, and sold to a property investor shortly after opening.

Sector:	Retail
Location:	Regional centres of Ukraine
Current Status:	One shopping centre under construction
Land Title:	Freehold /Leasehold
Gross Area:	89,600m ²
Total Commitment:	US\$ 12,000,000
Shareholding:	38%
Estimated Completion Date:	Late 2009



Sector:	Residential
Location:	Kyiv suburbs
Current Status:	Fencing and road construction underway; Construction of houses to commence in September '07.
Land Title:	Freehold
Land Area:	6.33 hectares
Total Commitment:	US\$ 9,000,000
Shareholding:	50.3%
Estimated Completion Date:	Mid 2009



Sector:	Retail
Location:	Kyiv
Current Status:	Concept Development
Land Title:	Leasehold
Land Area:	1.2 hectares
Gross Area:	45,000m ²
Total Commitment:	US\$ 10,750,000
Shareholding:	50%+1 share
Estimated Completion Date:	Late 2009



Chairman's Statement



Aloysius Wilhelmus Johannes van der Heijden

Non-Executive Chairman

“This has been a significant period for the company and the IPO has been a key milestone in our history.”

This has been a period of significant achievement. DUPD is well placed to take advantage of the many opportunities in the rapidly expanding real estate marketplace in Ukraine. We have the local knowledge, proprietary contacts and solid know-how necessary to originate and execute real estate development projects offering above average investment returns to our shareholders.

Strategy

DUPD is not a passive investor in real estate. We operate proactively as developers, often in the form of partnerships with other reputable local partners, to pursue lucrative investment projects jointly. It is this in-depth local knowledge, our ability to promptly re-zone land and quickly obtain project and construction permits that gives us an invaluable insight into choosing the right projects and ensuring successful completion and high investment returns. Local developers with domestic insight are often more successful in land acquisition than our international counterparts.

Business Model

Our business model is similar to that of private equity. We identify investment opportunities (land plots), assess their growth prospects (prospective construction projects), execute their development (design the project and monitor construction works), lease the premises and within 12 months from completion and full lease, exit the investment by selling the subject property to an institutional investor.

The key factors that are likely to influence the ultimate decision to proceed with a project are location, marketability, price, financing structure, legal and ownership status.

Dragon Capital is the leading investment bank in Ukraine. Through Dragon Capital, DUPD enjoys solid access to capital markets, for both equity and debt financing. Dragon Capital's sponsorship of DUPD gives substantial comfort and confidence to institutional investors in terms of corporate governance and professional conduct.

Ukraine

The political instability of recent years is settling down, with new parliamentary elections scheduled to be held this year. The economy has been relatively unaffected by the political turmoil: GDP has grown rapidly alongside industrial production, investment activity continues, and disposable income continues to grow.

Ukraine is the second largest country in Europe, with a total land area of 603,700km². It has a strategic position in Eastern Europe, bordering the Black Sea in the south, Poland, Slovakia and Hungary in the west, Belarus in the north, Moldova and Romania in the south-west and Russia in the east. It ranks among the 30 largest economies worldwide. In the Soviet era, Ukraine was the second most important republic in terms of its economic contribution, producing approximately four times the output of the next ranking republic. Following the collapse of the Soviet Union, the country progressed towards a market economy at a gradual pace. From the early 2000s, the economy started to show strong export-based growth of 5%-10%, with industrial production growing more than 10% per year.

Board of Directors

Our Board of Directors combines both real estate and investment expertise. Tomas Fiala (Non-Executive Director) is the founder of Dragon Capital and has successfully completed a large number of real estate investments, all of which have generated exceptional investment returns. Fredrik Svinhufvud (Non-Executive Director) is a very senior manager with in-depth understanding of the Ukrainian marketplace. Boris Erenburg (Non-Executive Director) and James Morton (Adviser to the Board) are veterans of the investment market and managing several billion dollar funds for Spinnaker Capital and the Cundill Group, respectively.

We remain fully committed to enhancing the diversification of our portfolio, developing high quality properties and realising significant investment returns. Achieving this aim will require significant capital, to which we have access with our investor base, which includes some of the world's leading investment banks, institutional investors and hedge funds.

Along with the rest of the Board, I am very confident that our company is in excellent shape to meet the opportunities and challenges ahead and build significant value over the coming years.

Aloysius Wilhelmus Johannes van der Heijden
Non-Executive Chairman

Investment Manager's Report



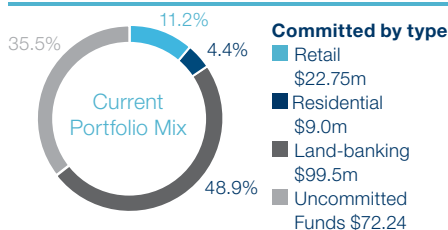
Chris Kamtsios

Senior Partner & Managing Director
Dragon Capital Partners Ltd

“We are very excited to be leading investment management for DUPD and look forward to generating exceptional investment returns for its shareholders by capitalizing on existing investment opportunities that are present in the Ukrainian real estate market.”

Since our IPO in June 2007, we have been able to secure and execute several key investments for DUPD encompassing most key segments of our investment focus. We are currently working towards finalization of several more transactions, mainly in land-banking with subsequent development of large-scale residential projects, but also in other commercial property developments.

Our \$12 million investment in Henryland Group Limited provided us with initial exposure to the commercial property development sector, through the development of six retail facilities (some of them being mixed use) in various Ukrainian regions. The existence of a class-A anchor tenant in all six facilities, Nova Linea – one of the largest DIY chains in Ukraine – coupled with the solid experience of a local developer who has built several such facilities across the country, minimizes the execution and market risks of this investment, while enhancing its investment return potential.



\$131.25m
committed in total

Our \$9 million investment in Pine Forest Riverside Estates ("PFRE") afforded us entry into the lucrative residential sector through our partnership with New Path Ventures Ltd, an experienced local developer which has completed similar projects, including a project in the same development area, and has realised exceptional investment returns upon completion and exit from such projects. Upscale suburban housing communities are gaining popularity among Ukrainians, particularly those offering a substantial social infrastructure to enhance living conditions. PFRE will be one of the very few gated communities in Ukraine which, besides its truly unique location in a deep forest area with river frontage, offers extensive social infrastructure including a sandy beach area, BBQ zones, playgrounds, tennis courts, basketball courts and a convenience shop.

Our \$10.75 million investment in Hindale Executive Investments Limited formed our partnership with Tiko Construction, a leading local developer of retail and office schemes, which aims at the development of Komarova Shopping Centre ("KSC") in the Borschahivka district of Kyiv. KSC allowed us additional exposure to the retail segment and constitutes the first shopping centre in our portfolio.

On the land-banking side, we have made significant progress by securing a total of 198.5 hectares for an aggregate of \$35.4 million, involving numerous smaller land plots within close proximity to the borders of Kyiv. We have also made prepayments in the amount of \$14.6 million against the purchase of collectively 80 hectares in the same land bank. This is generally a long process due to the large number of land plots involved. Therefore, we expect to finalise the acquisition and consolidation effort by the end of 2007. We have provisioned up to \$140 million of our initial investment capital for land banking, aiming at consolidating an aggregate of 675 hectares of land around Kyiv. Post consolidation, these enlarged land plots will be re-zoned to allow for construction of residential and commercial structures. After re-zoning, and in line with current prices of converted land in the relevant areas, we expect to realise a significant upside on the value of our land holdings.

Our existing pipeline includes investments with an aggregate value exceeding \$1.2 billion which allows us to cherry-pick the most lucrative deals in our opinion and provides a solid base for future investments.

Investment Manager's Report

(continued)



Market Overview

Despite the recent political turmoil, investors' interest in the Ukrainian real estate market has remained high. To date in 2007, we are experiencing the same trends as in the previous year. Nevertheless, the number of new, quality properties has diminished since 2006, as the very few properties that existed last year were purchased by foreign property buyers.

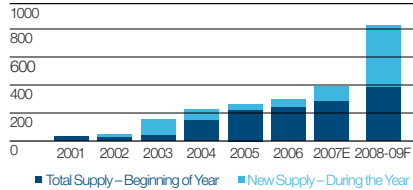
Most transactions in the office segment took place at an average yield of 10%, while several transactions in retail were completed at 9%, or even lower yield.

In terms of the future supply of commercial properties, we have seen a growing pipeline in the office segment, mainly in Kyiv, while in retail, developers are mainly concentrated at the regional level, in other large Ukrainian cities. Most of the pipeline for commercial properties is due for delivery in 2009-2010.

Despite the rapid development of the Ukrainian commercial real estate market over the past few years, it still lags behind its neighbouring countries such as Poland, Hungary and the Czech Republic which, when viewed in conjunction with the population of these countries, assures a great deal of further development for the Ukrainian market.

We believe that demand for commercial properties will continue to exceed supply during the next few years, which is expected to keep prices for real estate assets at the present high level.

Annual Supply of Retail Space in Kyiv, GLA (thousands of m²)



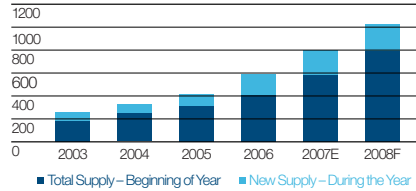
Source: Colliers International

“It will remain a landlords' and sellers' market over the next few years. During this period, proactive and experienced local developers will receive most of the benefit and realise extraordinary investment returns on their projects.”

In the residential real estate market, we have seen substantial volumes of new supply, mainly within Kyiv and to a lesser extent in other regions, while prices remain at substantially high levels, even when comparing Kyiv to some of its neighbouring Central European capitals. However, land prices in suburban Kyiv areas remain at a discount compared to similar areas in other Central European capitals, thereby allowing people the luxury of purchasing a larger home (as opposed to a smaller apartment within the Kyiv Metropolitan area) for the same consideration, and at the same time avoiding city congestion and air pollution. This constitutes the main reason for the recent boom in the development of gated communities around Kyiv.



Annual Supply of Office Space in Kyiv, GLA (thousands of m²)



Source: Colliers International

In the industrial segment of the market, we have seen some remarkable growth over the prior year. Approximately 193,000m² are expected to be completed during 2007, bringing the total floor plate to approximately 420,000m².

This trend is expected to continue in 2008 with an estimate of 300,000m² entering the market. The warehousing sector represents the only segment of the Ukrainian real estate market which western developers have entered. Demand for high quality warehouse space continues to grow and to outstrip supply. Thus rental rates remain quite high at approximately \$8-10 per m². However, as construction costs for class-A warehousing projects are not much lower than those for retail premises, which have much higher rent potential, development returns are lower than those realised through development of retail projects.

Finally, in the hotel segment, demand for hospitality services in Kyiv is constantly exceeding the limited supply, particularly in the 3-star category, and, to a lesser extent, the 5-star. Recent 5-star additions include the Opera Hotel and Hyatt Regency, both in Kyiv. Although there are only two international hotel brands in Kyiv being the Radisson SAS and Hyatt Regency, it is expected that, over the course of the next few years, the number of international hotel chains will increase significantly.

The segment will remain attractive for real estate developers due to increasing demand, nationally and internationally, for quality hospitality services, as well as Ukraine's joint nomination (together with Poland) by UEFA to host the 2012 European Football Championship event.

Chris Kamtsios
Senior Partner & Managing Director

“DUPD strives to maintain a very strong culture of selectivity in pursuing investments and to be involved in seeing through individual value-added strategies.”

Consolidated Balance Sheet

(Unaudited)

	Notes	August 31, 2007 \$000
Assets		
<i>Non-current assets</i>		
Investments in associates	5	8,000
Intangible assets under development		2
Total non-current assets		8,002
<i>Current assets</i>		
Prepayments and other assets	4	56,681
Cash and cash equivalents	3	142,420
Total current assets		199,101
Total assets		207,103
Liabilities and shareholders' equity		
<i>Shareholders' equity</i>		
Share capital	7	205,061
Retained earnings		400
Total equity attributable to the equity holders of the parent		205,461
Minority interest		4
Total shareholders' capital		205,465
Total non-current liabilities		-
<i>Current liabilities</i>		
Accruals and other liabilities	6	1,638
Total current liabilities		1,638
Total liabilities and shareholder equity		207,103

Notes on pages 16 to 19 represent an integral part of these consolidated financial statements. This space was left intentionally blank.

Consolidated Income Statement

(Unaudited) for the period to August 31, 2007

	Notes	for the period to August 31, 2007 \$000
Revenue		–
Expenses		
Investment manager's fee	10	(1,553)
Wages and salaries		(49)
Lawyers' fees		(71)
Business trip expenses		(21)
Insurance expenses		(12)
Other administrative expenses		(63)
Operating loss		(1,768)
Interest income from bank deposits		2,172
Profit before tax		404
Tax		–
Profit for the period		404
Minority interest		(4)
Profit for the period attributable to the equity holders of the parent		400

(in US dollars)

Basic and diluted earnings per share for profit attributable to the equity holders of the parent of the Company during the period	0.0038365
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Consolidated Statement of Changes in Equity

(Unaudited)

Movement during the period Six months ended August 31, 2007	Notes	Share capital \$	Retained earnings \$	Minority interest \$	Total \$
Balance carried forward at February 28, 2007		4			4
Share capital	7	2,080,000			2,080,000
Share premium	8	205,920,000			205,920,000
Placing fees and formation costs		(2,938,603)			(2,938,603)
Profit for the period			403,861		403,861
Minority interest			(3,678)	3,678	-
Balance carried forward at August 31, 2007		205,061,401	400,183	3,678	205,465,262

Notes on pages 16 to 19 represent an integral part of these consolidated financial statements.
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Consolidated Statement of Cash Flows

(Unaudited) for the period to August 31, 2007

	for the period to August 31, 2007 \$000
Notes	
Cash flows from operating activities	
Operating loss	(1,768)
Increase/(decrease) in other assets	(49)
Increase/(decrease) in accruals and other liabilities	1,638
Purchase of non-current assets	(2)
Cash generated from operations	(181)
Cash flows from investing activities	
Interest received	1,794
Prepayments made	(56,254)
Invested in associates	(8,000)
Net cash provided by (used in) investing activities	(62,460)
Financing activities	
Proceeds on issue of shares	205,061
Net cash provided by financing activities	205,061
Net increase /(decrease) in cash and cash equivalents	142,420
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at August 31, 2007	142,420

Notes on pages 16 to 19 represent an integral part of these consolidated financial statements.
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Notes to the Consolidated Financial Statements

Note 1. General information

The Company was incorporated in the Isle of Man on February 23, 2007 with registered office of the Company being Standard Bank House, One Circular Road, Douglas, Isle of Man, IM1 1SB.

The Company intends to invest in the development of new commercial and residential properties as well as in the redevelopment of existing properties in Ukraine.

Note 2. Accounting Policies

The principal accounting policies, which have been consistently applied to the Company's financial information are as follows:

1. Statement of compliance

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretation adopted by the International Accounting Standards Board (IASB).

2. Basis of Preparation

The financial information is presented in US Dollars and is prepared on historical cost basis.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are both readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

a) Foreign currencies and presentation currency

The Directors consider that the most appropriate measurement and presentation currency for this financial information is US Dollars and this will be the presentation currency going forward.

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and special-purpose entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of special-purpose entities so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Subsidiaries

The following legal entities are the Company's subsidiaries:

- 1) Linkdell Limited, a company incorporated in Republic of Cyprus on April 10, 2007;
- 2) Riverscope Limited, a company incorporated in Republic of Cyprus on April 26, 2007;
- 3) Mountcrest Limited, a company incorporated in Republic of Cyprus on April 20, 2007;
- 4) Landshere Limited, a company incorporated in Republic of Cyprus on April 26, 2007;
- 5) Landzone Limited, a company incorporated in Republic of Cyprus on June 19, 2007.

Riverscope Limited and Landshere Limited are owned 95% by Dragon-Ukrainian Properties & Development plc. All others are owned 100% by the Company.

Note 3. Cash and cash equivalents

Cash at bank consists of cash residuals at current and deposit bank accounts. Cash could be used without any restrictions. The carrying amounts of cash present its fair values.

August 31, 2007
\$000

Cash at bank	5,223
Deposits (up to 3 months)	71,099
Deposits (over 3 months)	66,098
Total cash and cash equivalents	142,420

Notes to the Consolidated Financial Statements

(continued)

Note 4. Prepayments and other assets

August 31, 2007
\$000

Prepayments	56,254
Accrued interest	378
Deferred expenses	36
Other assets	13
Total prepayments and other assets	56,681

The Company has made prepayments for land acquisitions in the amount of 56.254 million US dollars. Total contractual obligations including land cost and agents' commission, are 107.004 million US dollars. The carrying values of the prepayments are close to their fair value.

Accrued interest is recognized on an accrual basis, not on cash basis. The accrued interest for every balance sheet date equals to the real and current liability of the debtors.

Note 5. Investments in associates

Investments are accounted at cost and revaluated using the equity method. Despite there being no efficient stock market for these securities, management constantly provides monitoring of their value and believes that the carrying values are close to the fair value.

The Company invested 8 million US dollars in Henryland Group Ltd, incorporated under the law of British Virgin Islands on October 9, 2006 with its corporate office at Geneva place, Waterfront Drive P.O. Box 3469, Road Town, British Virgin Islands.

The Company will acquire, through its participation in the share capital increase, a total of 12 million issued common shares at the price of 1 US dollar per share, which shall represent a 38% shareholding in Henryland Group Ltd.

Note 6. Accruals and other liabilities

August 31, 2007
\$000

Accrued payment to the Investment Manager	1,553
Wages and salaries payable	37
Outstanding payments for the ongoing costs	49
Total accruals and other liabilities	1,638

The Directors consider that the carrying amount of accruals and other liabilities approximates their fair value.

Note 7. Share capital

Shares Information:

	Shares, quantity August 31, 2007	Value \$ August 31, 2007
Authorized common shares	300,000,000	6,000,000
Issued and fully paid common shares	104,000,200	2,080,000

Par value of common share equals to £ 0.01 (\$0.02) per share.

Note 8. Share premium

104,000,000 ordinary shares of the Company have been placed with certain institutional investors by way of an Initial Public Offering at a price of 2.00 US dollars (the 'Offer Price') per ordinary share raising gross proceeds of 208 million US dollars on June 1, 2007. The difference between par value and offer price value in the amount of 205.92 million US dollars was recognized as share premium.

Note 9. Related party transactions

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

Note 10. Material contracts

On May 16, 2007, the Company entered into a Management Agreement with Dragon Capital Partners (the 'Manager') pursuant to which the Manager has agreed to provide advisory, management and monitoring services to the Company. In consideration for its services thereunder, the Manager is entitled to be paid an annual management fee of 1.5% of the gross asset value of the Company at the end of the relevant accounting period, or part thereof.

On May 16, 2007 the Company granted a Share Option, conditional on Admission, to subscribe for up to 100,000 Ordinary Shares at the Placing Price to Mr. van der Heijden, a director of the Company. The options vest annually at periods from the first to the fifth anniversary of Admission.

On May 16, 2007 the Company has entered into two Warrant Instrument Agreements, namely the 'Dragon Warrant Instrument' and the 'ZAI Warrant Instrument'. These agreements entitle Dragon and ZAI to subscribe in cash, at the Placing Price for such number of Ordinary Shares which equates to 5% and 1% respectively of Ordinary Shares in issue at Admission during the period commencing on Admission and terminating five years thereafter.

Notes

Directors, Secretary and Advisers

Directors

Aloysius Wilhelmus Johannes van der Heijden
(Non-Executive Chairman)
Tomas Fiala (Non-Executive Director)
Fredrik Svinhufvud (Non-Executive Director)
Boris Erenburg (Non-Executive Director)

James Morton (Adviser to the Board)

Company Secretary

Martin Jones

Registered Office

Standard Bank House
One Circular Road
Douglas IM1 1SB
Isle of Man

Manager

Dragon Capital Partners Limited
P.O. Box 173
Kingston Chambers
Road Town, Tortola
British Virgin Islands

Nominated Adviser and Broker

Zimmerman Adams International Limited
New Broad Street House
35 New Broad Street
London EC2M 1NH

Solicitors

as to English law

Faegre & Benson LLP
7 Pilgrim Street
London EC4V 6LB

Solicitors

as to Ukrainian law

Baker & McKenzie – CIS, Limited
Renaissance Business Centre
24 Vorovskoho Street
Kyiv 01054
Ukraine

Solicitors

as to Isle of Man law

Cains

15-19 Athol Street
Douglas IM1 1LB
Isle of Man

Tax Consultants

as to Cyprus taxation and Isle of Man taxation

PricewaterhouseCoopers Limited

Julia House
3 Themistocles Dervis Street
CY 1066 Nicosia
Cyprus

Administrator and Registrar

Standard Bank Trust Company (Isle of Man) Limited

Standard Bank House
One Circular Road
Douglas IM1 1SB
Isle of Man

Tax Consultants

as to Ukrainian taxation

PricewaterhouseCoopers

38 Turgenevska Street
Kyiv 01054
Ukraine

CREST Service Provider

Computershare Investor Services (Channel Islands) Ltd

PO Box 83
Ordnance House
31 Pier Road
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Jersey



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