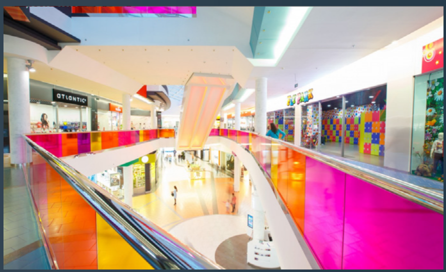
arricano
commercial real estate

Annual Report 2020

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine. It owns and operates completed shopping centres comprising over 147,900 sq.m of gross leasable area and three land plots in strategic cities for further development.

Our portfolio at a Glance

Completed Properties



Prospekt (Kyiv)

Rayon (Kyiv)

Sun Gallery (Kryvyi Rig)

City Mall (Zaporizhzhia)

Development Properties

Petrivka (Kyiv)

Lukianivka (Kyiv)

Investment

Sky Mall (Kyiv)

49,9 per cent shareholding in Assofit, ex-holding company of Sky Mall, one of Kyiv's largest shopping centres, home to a range of leading retail brands including H&M, Zara, Pull&Bear, Bershka, Stradivarius, New Yorker, Mango, Tommy Hilfiger, Adidas and Nike

Strategic Report

Directors' Report

Financial Statements

2020 Highlights

- Recurring revenue decreased by 13% to USD 32.3 million (2019: USD 37.3 million)
- Occupancy was 99% as at 31 December 2020
- The Company's portfolio was valued independently at USD 275.5 million (2019: USD 289.3 million)
- Operating costs were reduced by USD 2.2 million (17%) compared to 2019 – to offset decrease in revenues
- Underlying operating profit before revaluation of investment property reduced by 11% to USD 21.7 million (2019: USD 24.4 million)
- Net profit increased to USD 20.2 million (2019: USD 8.0 million)
- As at 31 December 2020, net asset value was USD 119.4 million (31 December 2019: USD 127.9 million)
- As at 31 December 2020, total bank borrowings were USD 46.9 million (31 December 2019: USD 43.4 million)
- The Company's activity was significantly affected by COVID-19 restrictions in 2020

Post year-end

- Further restrictions relating to COVID-19 were put in place in some regions in 2021 that resulted in partial closure of the shopping malls
- The Company has implemented its Environmental, Social and Corporate governance policy

Revenue
(in mln USD)

USD 32.3 m

Net Asset Value (NAV)
(in mln USD)

USD 119.4 m

Operating profit before revaluation
(in mln USD)

USD 21.7 m

Occupancy rate
(in % from total GLA)

99%

Footfall
(in mln visitors)

33.1 m

Earnings per share
(in USD per share)

0.20 USD

Chairman's Statement

Our aim for 2021 is to continue to upgrade and develop our shopping malls' brands with the main focus being on providing social spaces for our visitors and to be a leader in community relations. Arricano has a strong and sustainable market position, positive relations with tenants and a track record for good teamwork to achieve new targets. The consolidated financial results of Arricano for 2020 showed that the team effectively coped with all business challenges caused by COVID-19. The Company's underlying operating profit before revaluation of investment property was USD 21.7 million, that is only 11% less than in the previous year. In addition, the management has restructured all bank loans, received a new tranche of USD 9 million and achieved a decrease in interest rates for a major part of its loan facilities.

Urmas Somelar
Non-Executive Chairman

2020 was targeted to be a successful year for the continued development of Arricano and the implementation of strategic commercial and social projects. The Company had made a good start following on from significant progress made last year – achieving in the first two months almost one hundred per cent occupancy of the retail spaces in all the Company's shopping malls, constant increase in turnover of both tenants and market categories, and, as a result, an increase in the quality of traffic.

Corporate Achievements and Awards

The Prospekt shopping mall was recognized as the most visited shopping mall in Ukraine. Also in the first two months, the Company received several important awards: Arricano became number one in the National Rating of the Quality of Corporate Reputation Management «Reputation ACTIVists» in the development market, maintaining a stable corporate and market position. The evaluation indicators for the award were the Company's reputation stability, its media activity, innovative approach in communications, image capital of CSR and anti-crisis stability. Also, two regional shopping malls of Arricano - Sun Gallery in Kryvyi Rih and City Mall in Zaporizhzhia - received the National Award of Ukraine «Consumer Choice - 2019» as the best shopping mall in the city.

ESG Policy and Corporate Social Responsibility

The quarantine and the introduction of lockdown from March to June put development of all commercial and social projects on hold for three months. Nevertheless, during this period, the Company implemented three charitable projects to support the community and help people less well-off. In addition, to help the infectious diseases hospital in Kryvyi Rih, the Company purchased special medical equipment for wheelchair users.

During the lockdown, Arricano, together with other industry organizations and leading players in the development market, actively engaged in a dialogue with the authorities, defending the interests of the industry.

The Company came out of quarantine with renewed vigour and began to rapidly increase its potential. In the second half of the year, Arricano implemented its ESG policy and strategy supported by a series of social and cultural projects relating to environmental factors, communities, operational and governance excellence. The most ambitious of which is the creation of a 3D design of St. Sophia Cathedral, which is marked with Braille tactile signs, so that Kyiv residents and guests with visual impairments can feel its architectural features and read motivating messages. Also in Prospekt and RayON shopping malls there were art & fashion exhibitions. The concept of this project, which integrated the brands of tenants, as well as met all the requirements of social distance, became a special ethical contemplation for visitors to shopping malls. The project was so successful that it was included in the rating of the Top 25 best marketing projects in Ukraine according to the business publication, «Power of Money».

Development Properties

The three development sites covering 14 ha in Lukianivka (Kyiv), Petrivka (Kyiv), and Rozumovska (Odesa) continue to be progressed. With the capital from the new banking facilities, the highly innovative Lukianivka project has made good progress and subject to changes in the COVID-19 situation, is expected to be completed in 2023. Arricano participated in the public workshop discussing the new concept of the Lukianivka area and its infrastructure.

Sky Mall Case

The Company continues to pursue Stockman Interhold S.A. concerning the ownership of Assofit, which held the Sky Mall shopping centre and in which the Company holds a 49.9% shareholding.

Teamwork

On behalf of the Board I would like to thank every employee and stakeholder of Arricano for their contribution in 2020. I would also like to commend everyone for their positive response to the COVID-19 crisis and their willingness to work together to support the business and their colleagues during this unprecedented time.

Consolidated Financial Results

Our aim for 2021 is to continue to upgrade and develop our shopping malls' brands with the main focus being on providing social spaces for our visitors and to be a leader in community relations.

Arricano has a strong and sustainable market position, reliable relations with tenants and a track record for good teamwork to turn difficult goals into real achievements. The consolidated financial results of Arricano for 2020 showed that the team effectively coped with all business challenges caused by COVID-19. Total revenue decreased by USD 4.9 million, that is a 13% drop compared to 2019, in turn the operating expenses were reduced by $2.2 million, that is a 17% cutback compared to 2019. The Company's underlying operating profit before revaluation of investment property was USD 21.7 million, that is 11% less than in the previous year (USD 24.4 million in 2019). The total fair valuation of the portfolio decreased to USD 275.5 million (2019: USD 289.3 million). Net asset value was therefore USD 119.4 million as at 31 December 2020. In addition, the management has restructured all bank loans, received a new tranche of USD 9 million and achieved a decrease in interest rates for a major part of its loan facilities.

Urmas Somelar
Non-executive Chairman
21 April 2021

Occupancy Rate
99%

Visitors
33.1 mln

Revenue
USD 32.3m

"Overall, the Board believes the Company is in a sound financial standing, with its ability to meet its financial commitments and emerge from this current crisis well-placed to regain its position as premier provider of shopping and entertainment experiences."

Chief Executive Officer's Report

Arricano started 2020 strongly and despite operational constraints due to Covid-19 saw pockets of positive consumer demand when the restrictions were eased or lifted. Importantly, management teams at each of our shopping centres were fully committed to ensuring the safety of our visitors, carefully following and consistently executing health and safety protocols.
It is obvious that state restrictions in the operation of shopping malls directly affected the Company's financial performance making comparisons with prior years less relevant. Instead, the key facts of a 13% decrease in revenue, as well as 99% occupancy rate accross Arricano shopping malls, demonstrate the Company's resilience and resistance to unpredictable social and economic changes. Overall, we will continue to pursue our corporate strategy, new development projects and sustainability policies which together we believe will maintain our market leading position.

Ganna Chubotina
Chief Executive Officer

Arricano delivered a resilient performance in operating conditions that were made extreme by COVID-19. Our shopping centres saw only 76 days of normal trading before the first lockdown in March 2020. After which, each of our malls were closed for between 50-80 days depending on region and had to navigate wide-ranging restrictions throughout the year.
Arricano did start 2020 strongly and despite operational constraints saw pockets of positive consumer demand when the restrictions were eased or lifted. Importantly, management teams at each of our shopping centres were fully committed to ensuring the safety of our visitors, carefully following and consistently executing health and safety protocols.
Making use of our analytical data and market research together with identifying new consumer spending patterns, Arricano signed 89 new lease agreements covering a total area of 8884 sq.m. during 2020. New retailers include New Yorker, Flo, and Decathlon, demonstrating the portfolio's continuing popularity amongst retailers despite the pandemic which translated into the Group maintaining occupancy at 99%.

Results

Given the shopping malls operated in a limited format for 20% of the total annual period, this was a resilient performance with recurring revenue decreasing by just 13% to USD 32.3 million (2019: USD 37.3 million). At the same time the priority tasks in the Company's management were to ensure financial stability and solvency. As a result, costs were reduced by USD 2.2 million or 17% compared to 2019. The Company's net profit was USD 20.2 million. In 2019, this figure was USD 8.0 million. The Company's underlying operating profit before revaluation of investment property was USD 21.7 million that is 11% less than in the previous year (USD 24.4 million in 2019).

It is obvious that state restrictions in the operation of shopping malls directly affected the Company's financial performance making comparisons with prior years less relevant. Instead, the key facts of a 13% decrease in revenue, as well as 99% occupancy rate across Arricano shopping malls, demonstrate the Company's resilience and resistance to unpredictable social and economic changes. It has also hardened our team for new challenges and their ability to respond to issues with new solutions. And even though we were forced to limit costs, Arricano continued to invest in corporate social responsibility projects during 2020 with a particular focus on our ESG agenda.

Market

The year 2020 turned out to be particularly challenging for the retail property market globally. The COVID-19 quarantine commenced in Ukraine on 12 March 2020 forbidding until May trading in our retail and entertainment facilities, except for essential retail, DIY hypermarkets, postal delivery offices and eateries with drive-thru services. In November 2020, the government issued restrictions for weekend quarantines, resulting in 3 weekends of reduced activity and therefore significantly reducing turnover for Black Friday in comparison to previous years.
We have a clear strategy for all regions which recognizes the increasing competition arising from online retailers. We are delivering dynamic solutions for our tenants, activating new services such as promoting offline shopping values, working on collaborative promotions with tenants' that result in exclusive bonuses, as well as additional services and cross-marketing activities. We are searching and testing digital solutions in data analytics in order to track customer journeys in our shopping malls. We are also encouraging our tenants to provide click and collect formats reflecting the continued shift to omnichannel retail.

Social space and community relations

In 2020 our main task was to support all our tenants through this very challenging period, we focused on developing win-win solutions that worked for Arricano and our tenants and achieved this through our strategy of collaboration and focus on developing our shopping malls as social spaces. Given the social distancing ryles introduced, the role of shopping centres was extremely important for our customers during 2020 because they are safe, bring joy and happiness to people's lives, providing much needed opportunities for social interaction.
Another area for developing the social space in our malls, was through opening new lines of communication with local communities on specific themes such as education, healthcare, smart consumption and fashion trends.
A key element of improving the customer experience is through working on the retail mix within each mall. We consistently focus on updating our tenant formats, expanding product categories and introducing new, popular brands. As we have seen, shopping centres are extremely important for our customers especially so during periods when social interaction is limited, which is reflected in the sustained revenue levels achieved through the turbulent times of 2020.
During 2020, the retail market and social environment changed greatly with a shift towards home-based lifestyles. Nevertheless, our team proposed alternatives to staying at home by encouraging people to visit shopping malls and putting on engaging events such as art & fashion expositions and inspiring shows. These initiatives reflect our social and cultural investments into local communities in Kyiv and all-city communities in regional malls. We saw how positive social relations combined with friendly-oriented malls spaces could be and that they attracted significant numbers of visitors.

Digital

Our online penetration has grown substantially. With our focus on online communications in 2020 enabling, in particular, our analytics of user reaction and engagement rates to messaging by brands. Arricano had more than 330 thousand regular followers of the Company's digital communications in December 2020. We estimate in 2020 the broader universe of all social media activity by the shopping malls reached nearly 6,2 million individuals per month. We are using our social media channels for social listening and analyzing new customer's insights, behavior and lifestyle choices. In 2020 we collaborated with our tenants to increase their use of social media. As a result, the number of tenants developing their social media activity has increased from 85 in 2019 to 108 in 2020.

ESG Policy and outlook

With the global pandemic, the retail industry has had to face major new challenges and as result has undergone significant change. At the same time, it has never been presented a more powerful opportunity to demonstrate responsibility, sustainability and resilience—and emerge stronger. Therefore, we find it crucial to adopt the environmental, social and governance (ESG) practices that will allow a company to grow and prosper.

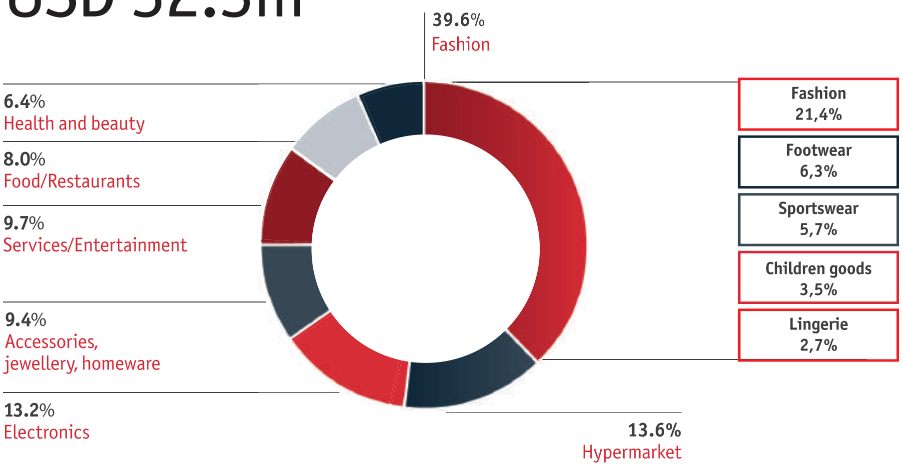
Environmental factors are becoming increasingly important for sustainability-focused consumers, as they could affect brand perception, and margins if not effectively managed. Our key consideration for the moment is waste management. We will be promoting best ESG practices by encouraging our tenants to integrate them in their policies. We are considering using certification for assessing ecological footprint of both new and existing projects. We will further commit to community cultivation through social and educational programs that tend to develop human potential, individual self-sufficiency and diversity. Creating a competitive rewarding and inclusive work environment through the policy of innovation, performance excellence and supporting the well-being of our employees will ensure that the growth that is delivered is more responsible and for the benefit of all. All expenditures have an impact on the bottom line and on the environment therefore implementing more effective and reasonable approaches which identify new opportunities for growth initiatives and lower impact operations will help to achieve the Company' goals faster and more responsibly. We commit to embrace corporate responsibility, accountability, ethics and transparency in stakeholders relationship and have ESG central to all Company' goals and assets. Embracing these shifts will prove that by reducing our environmental and social impacts, we can build a stronger company. In terms of the new developments the focus is on the Lukianivka project; construction is underway, however, the COVID-19 pandemic has slowed progress and will result in some delays. Nevertheless, our commitment to the project remains unchanged.

Overall, we will continue to pursue our corporate strategy, new development projects and sustainability policies which together we believe will maintain our market leading position.

Ganna Chubotina
Chief Executive Officer
21 April 2021

Merchandising Mix
(% of revenue, mln USD)

USD 32.3m



Operating Portfolio

In the following section we have provided an overview of the principal assets in the operating portfolio

SUN GALLERY (KRYVYI RIG)

СОЛНЕЧНАЯ ГАЛЕРЕЯ

The slogan of the Sun Gallery shopping mall is: «The home of fashion in Kryvyi Rih»

Sun Gallery, which opened in 2008, has been the main shopping and leisure mall in Kryvyi Rig for more than 10 years. It is a welcoming and popular place to spend a pleasant time with family and friends, as well as shop for all the necessary goods in such categories as clothes, shoes & accessories, homeware, underwear, goods for children, sport goods, jewelry & watches, health & beauty, electronics, as well as making use of services such as restaurants & cafes. Tenants include more than 100 branded stores and many of the country's favorite brands first appeared in Kryvyi Rih in the Sun Gallery shopping mall.

The primary and secondary catchment areas cover nearly all of the city and it has easy access by car and has good public transport links.

Sun Gallery regularly hosts the main art exhibitions and performances in the city, as well as themed activity classes for children. Alongside offering popular promotions and retail discounts, the mall's mission is to make shopping a comfortable and entertaining experience with exciting leisure activities for the whole family.

During 2020, 14 new lease contracts were signed.
Vacancy rate, as at 31 December 2020, was 1.4 per cent (2019: 1.2 per cent)
Key anchor tenants: Auchan, New Yorker, LC Waikiki, JYSK, Sportmaster, Fly Kids, Comfy
In 2020, the Retail Association of Ukraine placed Sun Gallery in the category of «Best medium-sized shopping mall outside million cities».

KEY STATISTICS	
GBA	44.022 sq.m
GLA	c.37.900 sq.m
GLA/GBA	86%
PARKING LOTS	398
LAND PLOT SIZE	8.5ha
LAND PLOT TITLE	leased
LAUNCH DATE	December 2008
NUMBER OF TENANTS	138

Average monthly visitors 2020
0.3 million
(2019: 0.4 million)

Bank debt at 31 December 2020
USD 10.8 million
(2019: USD 11.3 million)

Valuation at 31 December 2020 -
USD 33.4 million
(2019: USD 34.8 million)

The only shopping mall in the city to exclusively houses multiple international brands such as JYSK, New Yorker, Puma

KEY STATISTICS	
GBA	23.439 sq.m
GLA	c.21.400 sq.m
GLA/GBA	91%
PARKING LOTS	427
LAND PLOT SIZE	4.3ha
LAND PLOT TITLE	freehold
LAUNCH DATE	April 2011
NUMBER OF TENANTS	97

Average monthly visitors 2020
0.4 million
(2019: 0.5 million)

Bank debt at 31 December 2020
USD 8.3 million
(2019: USD 11.8 million)

Valuation at 31 December 2020 -
USD 34.5 million
(2019: USD 33.8 million)

CITY MALL (ZAPORIZIA)

CITY MALL

The slogan of the City Mall shopping mall is «Fashion gem in our city»

City Mall, which opened in 2011, is a popular shopping and entertainment mall in Zaporizhzhia. Visitors are offered an engaging combination of retail stores and amenities, as well as events and campaigns for well-known and new fashion brands in the city.

Reflecting the strong appeal of the City Mall, regular research shows more than 70% of Zaporizhzhia residents prefer to shop in the City Mall over other retail alternatives. The mall is comfortable, has a good mix of retail brands and many of the clothing, shoes and accessories brands are not available anywhere else in the city.

Since 2015, occupancy of the retail spaces has been 100%. Tenant-mix includes more than 90 well-known international and domestic brands. It is located on the Dnipro river approximately 3km from the city centre, offering convenient accessibility by both public and private transport.

During 2020, 18 new lease contracts were signed.
Vacancy rate, as at 31 December 2020, was 0.0 per cent (2019: 0.0 per cent)
Key anchor tenants: Auchan, LC Waikiki, McDonald's, Budynok Ihrashok, Brocard, Comfy, Colin's

Zaporizhzhia, 6th largest city in Ukraine by population, has become increasingly attractive to real estate market players, due to rising consumer incomes and relatively low levels of available retail space

SOUTH GALLERY (SIMFEROPOL)

The slogan of the South Gallery shopping mall is: «The capital of shopping»

The site is located in the north of Simferopol, within a five minute drive of one of the city's major transport hubs. Making it easily accessible from the city centre and key residential areas. The primary catchment area includes northern parts of the Kyivskyi and Zaliznychnyi districts and the secondary catchment area covers almost the whole city, except for its very southern parts.

South Gallery (Phases I and II) is a substantial mall shopping mall covering a total area of 10.2 ha. Phase I, which opened in 2009, has a small gallery and a well-known anchor tenant, the international hypermarket Auchan. Since the completion of Phase II in February 2014 the mall has grown to become a regional destination shopping centre with mostly international tenants.

During 2020, 27 new lease contracts were signed.
Vacancy rate as at 31 December 2020, was 0.89 per cent (2019: 0.0 per cent)
Key anchor tenants: Auchan, LC Waikiki, Colin's, INCITY, Gloria Jeans, Letual, DNS, Mir Kino cinema Balaland entertainment centre

The most popular shopping mall in the city
The only Auchan store in Crimea is located in the South Gallery

KEY STATISTICS

GBA	41.225 sq.m
GLA	C.33.700 sq.m
GLA/GBA	82%
PARKING LOTS	919
LAND PLOT SIZE	10.2ha
LAND PLOT TITLE	freehold
LAUNCH DATE	April 2009
NUMBER OF TENANTS	166

Average monthly visitors 2020
0.6 million (2019: 0.8 million)

Valuation at 31 December 2020 -
USD 45.8 million
(2019: USD 33.8 million)

RAYON (KYIV)

The slogan of RayON shopping mall is «The center of brands and trends in Troieshchyna»

The RayON shopping mall, opened in August 2012 and is located in the north east of Kyiv along the left bank of the Dnipro river. Due to its convenient location, excellent transport links and wide range of retail stores combined with regularly hosting interesting events, RayON has become a centre of shopping and cultural life in Troieshchyna, a very densely populated area.

RayON shopping mall offers visitors a very comfortable shopping experience, showcasing an excellent mix of brands and a full range of services.

This is reflected by the high loyalty rate of visitors to the shopping mall. Based on recent research more than 80% of those consumers who live in the area, prefer RayON as the most convenient mall for shopping. In 2020 the Retail Association of Ukraine placed the RayON shopping mall in the rating for: «Best medium-sized shopping mall in million cities.»

During 2020, 18 new lease contracts were signed.
Vacancy rate, as at 31 December 2020, was 1,86 per cent (2019: 0.03 per cent)
Key anchor tenants: Silpo, LPP (Reserved, House, Cropp, Mohito, SinSay), Mc Donald's, Sportmaster, Brocard, Comfy

Located in the middle of the Desnjanski district, one of the most densely populated areas in Kyiv

KEY STATISTICS

GBA	34.214 sq.m
GLA	c.23.900 sq.m
GLA/GBA	70%
PARKING LOTS	861
LAND PLOT SIZE	2.2ha
LAND PLOT TITLE	leased
LAUNCH DATE	August 2012
NUMBER OF TENANTS	145

Average monthly visitors 2020
0.5 million
(2019: 0.6 million)

Bank debt at 31 December 2020
USD 13.2 million
(2019: USD 13.8 million)

Valuation at 31 December 2020 -
USD 45.4 million
(2019: USD 49.1 million)

PROSPEKT (KYIV)

The slogans of the Prospekt shopping mall are: «Take care of things important to you and your family», «Fashion expert who develops vogue, trends, style and fashion for visitors» and «Sport is fashion for a healthy lifestyle»

Prospekt is well located on the left bank of the Dnipro river, just off the inner ring road of Kyiv in the Desnianskyi administrative district, offering visitors easy access either by road or by public transport links. It is one of the most attractive and atmospheric shopping malls in the Ukraine, known for its stylish interiors, high-quality major tenants and range of retail and leisure operators which means visitors can choose from a wide selection of stores and leisure activities.

Prospekt is focused on continuing to expand the social and cultural spaces within the shopping and entertainment centre, thereby improving the balance between the “mall, tenants and visitors”. With achieving the optimum balance being key to increasing visitors, the turnover of business partners and ultimately improving the overall shopping experience.

During 2020, 12 new lease contracts were signed.
Vacancy rate, as at 31 December 2020, was 0.85 per cent (2019: 0.03 per cent)
Key anchor tenants: LPP (Reserved, House, Cropp, Sinsay, Mohito), LC Waikiki, New Yorker, Decathlon, Sportmaster, Mango, Colin’s, Foxtrot, Eldorado, Smyk, FLO, Multiplex

The most visited mall in Ukraine in 2019: 20.6 million visitors

KEY STATISTICS

GBA	59.680 sq.m
GLA	30.700 sq.m
GLA/GBA	51%
PARKING LOTS	1.350
LAND PLOT SIZE	4.39ha
LAND PLOT TITLE	leased
LAUNCH DATE	September 2014
NUMBER OF TENANTS	143

Average monthly visitors 2020
1.1 million
(2019: 1.7 million)

Bank debt at 31 December 2020
USD 14.6 million
(2019: USD 6.4 million)

Valuation at 31 December 2020 -
USD 57.5 million
(2019: USD 63.9 million)

LUKIANIVKA (KYIV)

The Lukianivka development property is located on the right bank of Kyiv in the Shevchenkivskyi administrative district. The Group is constructing its flagship complex in the central business district of Kyiv, with upmarket vision in the terms of concept and tenant mix.

The Lukianivka development property allows for the construction of a multi-functional and mixed-use complex, consisting of shopping and leisure, office and apartment components including, inter alia, a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court restaurants and a service area for offices, hubs and apartments.
The construction of office and apartment buildings will continue after completion of the shopping centre. It is expected that the GLA of the shopping and entertainment centre will be over 47,000+ sq.m.

The Group obtained the relevant construction permit in June 2013. Construction is underway with the forecasted completion in 2023. The first phase construction is shopping and entertainment. The second phase construction is offices and apartments.

Land plot:	4.19 ha
Title:	Leasehold title plus title to several buildings (historical landmarks) on the site
Development:	Mixed-use complex (retail, leisure, offices, apartments)
Gross construction area (GBA):	c. 71,339 sq.m for the shopping centre (plus c. 38,480 sq. m GBA for parking)
Gross leasable area (GLA):	c. 47,000+ sq.m for the shopping centre
Parking spaces:	To include underground parking
Type:	Mixed-use complex
Opening date:	2023

PETRIVKA (KYIV)

The Petrivka development property is located on the right bank of the Dnipro river in Kyiv, in the Obolonskyi administrative district. The site on leasehold has an area of 5.4 ha.

The Group is currently considering the best use of the site, which could include both creative, leisure, edutainment, IT cluster, office, residential and retail use.

The historic name of the location is Pochayna. The beautiful lake Jordan and a park with benches are the part of modern Kyiv urbanistic diversity. There are approximately 1,1 million residents enrolled coming from a wide catchment area of the Petrivka and surrounds.

Land plot:	5.4 ha
Location:	Kyiv
Title:	Leasehold
Development:	Creative, leisure, edutainment, IT cluster, office, residential and retail centre
Gross construction area (GBA):	To be defined
Gross leasable area (GLA):	To be defined
Parking spaces:	To be defined
Type:	City shopping and entertainment multifunctional centre
Actual construction start date:	To be defined
Opening date:	To be defined

Land plot:	4.5 ha
Location:	Odesa
Title:	Leasehold
Development:	Retail, leisure and entertainment centre
Gross construction area (GBA):	To be defined
Gross leasable area (GLA):	38,000 sq.m (expected)
Parking spaces:	1,400
Type:	Regional mall (hypermarket anchored)
Expected construction start date:	To be defined
Opening date:	To be defined

ROZUMOVSKA (ODESA)

Odesa is the third most populous city of Ukraine and a major tourism centre, seaport and transport hub located on the northwestern shore of the Black Sea with over one million inhabitants, and is a popular leisure destination. The Port of Odesa is the largest Ukrainian seaport and one of the largest ports in the Black Sea basin.

The Rozumovska development property is located partly on the facade of Rozumovska Street close to its intersection with Balkovska Street, in the Malynovskyi administrative district of Odesa, in close proximity to public transportation links. Rozumovska Street connects directly to the highway to Kyiv.

The Rozumovska development property is expected to be a three-storey shopping and entertainment centre with a sufficient number of parking spaces to accommodate customer demand. The target GLA is approximately 38,000 sq.m, including a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court restaurants and a service area. The preliminary design concept of the project has been completed and the developer is currently applying for the relevant consents and permits, given current market conditions.

Finance Report

The Company's revenue mainly consists of rental income from the portfolio of the completed properties. During the year ended 31 December 2020 the Company's rental income decreased by 13% to USD 32.3 million (2019: USD 37.3 million) caused mainly by partial closure of the shopping centres in 2020 due to COVID-19 restrictions.

Lauri Reinberg
Chief Financial Officer

Due to unstable market conditions the capitalization rates were increased, consequently, the market value of the investment property portfolio decreased by USD 13.8 million to USD 275.5 million (2019: USD 289.3 million). At the same time, the fluctuation of UAH/USD exchange rates led to a recognition of a USD 24.9 million gain on revaluation of investment property, offset by USD 49.2 million of currency translation effect recognized through other comprehensive income.

Total operating expenses during the period were USD 10.6 million, compared to USD 12.8 million in the previous year, a reduction of 17%, which reflects cost reduction initiatives undertaken to offset the impact of COVID-19.

As a result, underlying operating profit before revaluation of investment property was lower by just 11% as compared to the previous year at USD 21.7 million (2019: USD 24.4 million)

Profit from operating activities was USD 46.5 million (2019: USD 12.2 million) reflecting the gain on revaluation of investment property compared to the prior year loss on revaluation of investment property.

Net finance expenses in 2020 increased to USD 21.7 million (2019: USD 3.4 million), reflecting a loss on the change in currency exchange rates of USD 9.7 million (2019: gain of USD 8.5 million). The interest expenses remained at the same level as in 2019 of USD 12.2 million. Despite the fact that the Company's average bank loans balance has increased in 2020, the interest rates for the majority of bank loans were renegotiated and this led to a lower total cost of bank borrowings in 2020.

The Company's net profit for the year ended 31 December 2020 was USD 20.2 million (2019: USD 8 million).

Primarily due to the decrease of the market value of investment property, net asset value as at 31 December 2020 was USD 119.4 million (2019: USD 127.9 million), resulting in an adjusted net asset value per share of USD 1.16 (2019: USD 1.24).
Total assets, as at 31 December 2020, amounted to USD 296.5 million (2019: USD 304.8 million). This decrease was mainly related to a decrease in the value of investment property.

Cash balances as at 31 December 2020, amounted to USD 12 million (2019: USD 6.9 million). Cash inflow from operating activity generated in 2020, was USD 10.9 million, out of which USD 7.7 million was used for investing activity, USD 3.1 million was accumulated from financing activity.

As at 31 December 2020, the Group had USD 105.8 million (2019: USD 102.4 million) of outstanding borrowings. This was primarily a result of increased bank borrowings, which were up by USD 3.5 million to USD 46.9 million as at 31 December 2020 (2019: USD 43.4 million).

Net Assets Value

USD 119.4m

Cash balances

USD 12.1m

"The Company's net profit for the year ended 31 December 2020 was USD 20.2 million (2019: USD 8 million)."

Valuation of the Property Portfolio
(in mln USD)

USD 275.5 m

Bank loans
(in mln USD)

USD 46.9 m

Bank loans to Investment property value ratio (excluding unsecured related and thirt parties borrowings)
(in %)

17%

Management Report

The Board of Directors of Arricano Real Estate PLC (the "Company") submits to the members its Annual Report together with the audited consolidated financial statements of the Company and its subsidiary companies (the Company and its subsidiaries together referred to as the "Group") for the year ended 31 December 2020.

Incorporation

Arricano Real Estate PLC (Arricano, the Company or the Parent Company) was incorporated in Cyprus on 31 January 2008 as a private limited liability company. On 12 September 2012 the name of the Company was changed from "Arricano Trading Limited" to "Arricano Real Estate PLC" and the Company was converted into a public limited liability company in accordance with provisions of the Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Group are real estate development and construction and holding of investment properties.

The Company's purpose is to:

- Develop and operate the highest quality commercial real estate properties in CEE urban centres providing a high quality user experience for its B2C clients and profit potential to its B2B partners;
- Become a reliable investment platform for international investors in the CEE/UA market;
- Become a benchmark for innovation in retail real estate attracting leading partners and potentially monetising B2C customer data.
- Retail is a fast moving world and the Company is focused on anticipating future trends and ensuring that Arricano's centres maintain their strong appeal.

The key challenges to the Group's business are:

- COVID-19 has significantly impacted the Group's operations. Lockdowns introduced by the local authorities restricted work at shopping centres, leading to an average of over 90 days closure and wide-ranging restrictions.
- Decrease in number of visitors, and as a consequence – of tenants sales;
- Low purchasing power of Ukrainian people, which ultimately limits the Group's opportunities for establishing higher rent rates;
- The political situation and economic environment in Ukraine.

The Company has implemented measures to mitigate these risks and limit their exposure where possible.

In particular, the Group is focused on innovation and operational excellence and it:

- Focuses on upgrading the product and tenant-mix to reflect both the market and changing consumer behaviour aiming for a constant increase of earnings per square meter;
- Continues to innovate in automation to reduce operational and administrative costs;
- Aims to be a trendsetter in providing tenants with up-to-date infrastructure to assist them in increasing their turnover;
- Accelerates the development of digital media channels to utilize their revenue driving opportunities.

Also, the Group is focused on growth and portfolio optimization:

- By implementation of innovative concepts to real estate objects following the growing demand of a multifunctional lifestyle space;
- By adding new space to existing projects with high growth potential;
- Through improving geographical diversification to enhance the sustainability of the business model and investment attractiveness.

Additional measures are taken with respect of COVID-19 in all spheres of the business:

- Additional sanitation, social distancing and capacity monitoring procedures are performed in the shopping centres;
- Top-management of the Group is initiating negotiations with the local authorities on work restrictions and health and safety protocols.
- Costs cutting strategy was approved by the management in order to retain positive liquidity position;
- Negotiations with banks were held by the management leading to further decrease in financing costs and cash outflows for debt service.

The Group is focused on securing funding for the development of new projects and refinancing existing projects from international financial institutions and local and international banks.

Also, the Group is focused on seeking optimal financial leverage, as well as improved efficiency of its own funds to enhance shareholders' value.

Financial results

The Group's financial results for the year ended 31 December 2020 and its financial position at that date are set out in the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of financial position.

The net profit of the Group for the year ended 31 December 2020 amounted to USD 20,180 thousand (2019: USD 8,025 thousand). This increase was mainly due to a gain of USD 24,859 thousand on revaluation of investment property, which was partially offset by the USD 9,674 thousand foreign exchange loss.

The Group's revenue mainly consists of rental income from the portfolio of completed properties. During the year ended 31 December 2020 the Group's revenue income was down by 13% and amounted to USD 32,303 thousand (2019: USD 37,252 thousand). The fall in revenue is mainly caused by COVID-19 restrictions implemented by government which resulted in interruption to operations, affecting most tenants. About 90 days in 2020 only essential stores (hypermarkets, pharmacies and some other essential stores) were allowed to operate. As a result of this tenants were provided with significant rent relief by the Group. Moreover, there was a significant decrease in footfall and turnovers across all categories of tenants.

Operating expenses in the year ended 31 December 2020 decreased by 18% to USD 7,412 thousand and salary costs decreased by 20% to USD 1,753 thousand, reflecting cost reduction measures implemented by the Group as a response to pandemic.

In the year ended 31 December 2020, the Group generated positive cash flows from operating activities amounting to USD 10,937 thousand (2019: USD 22,636 thousand). These cash flows were mainly used for payments for construction works amounting to USD 7,749 thousand. Besides, during the year ended 31 December 2020 the Group has attracted USD 3,138 thousand from financing activity by attracting new loans (2019: cash used USD 406 thousand).
Net Asset Value as at 31 December 2020 was USD 119,394 thousand (2019: USD 127,905 thousand), resulting in an Adjusted Net Asset Value per share of USD 1.16 (2019: USD 1.24). The decrease in NAV was driven primarily by the decrease in the Group's property valuation in USD offset by positive cash flows.

The total fair valuation of the Group's portfolio was USD 275,452 thousand as at 31 December 2019 (2019: USD 289,300 thousand). The main reason for the decrease in fair value of the Group's portfolio was the uncertainty in the retail sector caused by COVID-19 that resulted in an increase in capitalization rates used in valuation of properties.

As at 31 December 2020, the Group's current liabilities exceeded current assets by USD 34,362 thousand. At the same time, the Group had positive equity of USD 119,394 thousand, generated net profit of USD 20,180 thousand and positive cash flows from operating activities amounting to USD 10,937 thousand. Subsequently to the year end, a Group company has received a new loan facility of USD 3 million. Moreover, management is looking for ways to restructure some of the bank loans. For more details on the measures that management is taking to overcome the liquidity gap, refer to note 2 (e) of the consolidated financial statements.

The main risks and uncertainties faced by the Group, together with the Group's objectives, policies and processes for measuring and managing those risks, are disclosed in note 20 of the consolidated financial statements.

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

The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Board and the Audit Committee in light of an ongoing assessment of significant risks facing the Group.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the top executives;
- Comprehensive review and monitoring the level of operational risks;
- An organizational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation whilst minimising risks;
- A comprehensive annual budgeting process producing a detailed profit and loss, balance sheet and cash flow, which is approved by the Board;
- Detailed monthly reporting of performance against the budget;
- Central control over key areas such as capital expenditure authorisation and banking facilities;
- Multi-stage system of internal approval to execute documents and to agree actions to be performed by the Group.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

The Board is committed to maintaining appropriate standards for all the Group's business activities and aiming to set out these standards within written policies of the Group. The Group has adopted the Rules Applicable to Approval of the Main Documents (the Document Approval Policy), the Tender Policy, the IT Policy, the Personnel Adaptation Procedure as well as number of other policies related to daily operations.

All material contracts are required to be reviewed by the Chief Financial Officer and the Chief Executive Officer and in number of cases – to be approved by the Board.

The executive management regularly identifies the key risks, which are re-assessed, and potential mitigating actions are considered and implemented to help protect against those risks.

The CEO regularly provides to the Board business updates which, alongside with other measures enables the Board to assess and manage risks and provide assurance that the risk management and related control systems in place are effective.

The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently challenging economic circumstances. There is no significant concentration of receivables from a single customer.

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

One of the challenges and risk mitigating steps is ensuring compliance and high corporate governance. In order to implement that, the Group:

- Keeps improving the structure of the company management and corporate governance to achieve an optimised balance of maximum speed and efficiency, with proper control and risk mitigation;
- Promotes a strong results oriented corporate culture;
- Minimises present and anticipated risks within the regions of activity and expected regulators behavior;
- Monitors the industry and global trends to comply with both present and emerging regulators requirements.

Review of developments, position and performance of the Group's business

The current financial position and performance of the Group as presented in the consolidated financial statements is considered satisfactory. The management has plans to further improve the tenants mix of the malls through the attraction of well-known European and local retailers. Moreover, the Group provides significant marketing and PR support for tenants in order to increase their turnover.

The Group is the owner of the entities owning and operating five trade centres with total gross leasable area ("GLA") of over 147,900 square meters, located in Kyiv, Simferopol, Zaporizhzhya and Krivyi Rig. The Company also owns title rights for 14 ha of development land divided into three specific sites which are at various stages of development.

The Company continues the development of the Lukyanivka project in Kyiv. During the year ended 31 December 2020 the development was financed by internal resources as well as bank financing. In the current financial year, management is focused on securing external financing for this project and is in negotiations with Ukrainian and European banks.

Dividends

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2020.

Share capital

There were no changes in the share capital of the Company during the year.

Branches

During the year ended 31 December 2020, the Company did not operate any branches.

Future developments of the Group

The Group continues to outperform the market in the context of the wider environment. The occupancy rate was about 99% at the year-end, an excellent achievement considering the circumstances. In 2020 the message of the Group was to support tenants under new reality and to apply innovative approach to restrictions. Following the 'Service' year of 2016, a 'Customer Experience' year in 2017 and "Phygital (Physical plus Digital)" year in 2018, the 2019 year of "Mutual respect and strengthening of long-term relationships with partners", the year 2020 was declared to be "Supporting tenants and innovative approach to restrictions".

Considering all challenges of 2020 relating to COVID-19 pandemic, management took all measures to support tenants in remaining a high level of their turnover, to show the visitors that the shopping malls continue to be best places for their leisure time to spend in safe and comfort in Arricano malls. The marketing strategy was also reviewed in respect of new quarantine restrictions.

Management is confident that in time, Ukraine will recover and at that point Arricano will be able to reap the reward of its continued investment in the existing and future portfolio.

Operating environment of the Group

Any significant events that relate to the operating environment of the Group are described in note 1 to the consolidated financial statements.

Events after the reporting date

The material events after the reporting date, which have an effect on the understanding of the consolidated financial statements, are disclosed in note 23 of the consolidated financial statements.

Related party transactions

Disclosed in note 22 to the consolidated financial statements.

Independent auditors

The independent auditors of the Company Messrs. KPMG Limited, have expressed their willingness to continue in office. A resolution giving this authority to the Directors to fix their remuneration will be proposed to the Annual General Meeting.

By order of the Board of Directors,

Urmas Somelar
Director

Juri Pold
Director

Limassol, 21 April 2020

Management Analysis of Corporate Governance

The Group intends to maintain high standards of corporate governance and transparency throughout all of its activities and communications.

The Board of Directors of the Company has decided to apply the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"). The information below sets out the details of the Company's compliance with the QCA Code and details where it departs.

Board Composition

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1. During the year ended 31 December 2020 the Board comprised of Non-Executive and Executive Directors as described below.

The Board has determined that Mr. Urmas Somelar (Non-executive Chairman), Mr. Frank Lewis (Non-executive director) and Mr. Georgios Komodromos (Non-executive Director from 26 February 2020) are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. Mr. Volodymyr Tymochko was the Non-executive Director representing interests of the Company's shareholder Dragon Ukrainian Properties and Development.

Urmas Somelar, the Independent Non-Executive Director and the Chairman of the Board, was responsible for the running of the Board. The role of Non-executive Chairman provides that he is continuously communicating with the Executive Directors of the Group, mentoring them and providing valuable advice.

Mr. Juri Pold is appointed as an Executive Director responsible for part of the Group's business.

Re-election

All directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting after their appointment. Directors are also subject to retirement by rotation and re-election in accordance with the articles of association of the Company. The Company may remove any Director by ordinary resolution and taking into consideration the terms and conditions of each Director's letter of engagement, including the specific advance notice.

Board meetings

The Board had 8 meetings during the year in order to review, discuss and take decisions on Group's strategy and performance.

The Board members regularly communicate with each other and the CEO as well as attending Board meetings. Generally, each non-executive director is expected to devote approximately 20 days to the Group per annum and executive director is expected to devote such time as reasonably necessary to properly fulfil the duties of the executive director.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors from time to time in advance of the meetings. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Company's reasonable expense.

The Board has established an Audit and a Remuneration committee, with specific duties and responsibilities. The directors do not consider that, given the size of the Board, it is appropriate at this stage to have a Nomination committee. However, this will be kept under regular review by the Board.

The attendance record of each director in 2020 is the following:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Georgios Komodromos	7		
Volodymyr Tymochko	8	5	3
Juri Pold	6 + 2*		
Urmas Somelar	8	5	3
Frank Lewis	8	5	3

* attended through the alternate

Director's Shareholdings

The direct and indirect shareholdings of the members of the Board in the Company's issued share capital as at 31 December 2020 and at the date of signing of these consolidated financial statements is as follows:

Name rate	Type of interest	Effective shareholding
Juri Pold	Direct shareholding	7.07%

Risk Management and internal controls

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems. The Board monitors these risks and systems regularly to ensure they continue to be effective and fit-for-purpose. The information on risk management and internal controls, on how the Group carried out an assessment of the principal risks facing it, the explanation of these risks and how they are being mitigated can be found in the Director's Report on page 17.

Board of directors

The Board is satisfied that between the Directors it has an effective and appropriate balance of skills and experience, personal qualities and capabilities including in the areas of rent, retailing, development, finance, banking, compliance, innovation and marketing so that it allows the Board to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term.

The Company may remove any Director by ordinary resolution and taking into consideration the terms and conditions of each Director's letter of engagement, including the specific advance notice.
The details on relevant experience, skills, personal qualities and capabilities that each director brings to the Board of the Directors are set out below.

Board Evaluation

The Board takes into account performance of its individual Directors internally before taking decisions on their re-appointment, to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

In addition, the Board evaluates performance of the Chief Executive Officer by taking into consideration fulfillment of the Company's annual goals. The Company did not adopt a strict performance evaluation procedure because it believes that its internal approaches of succession planning and the processes by which the Board and other senior management appointments are determined results in the achievement of the Company's goals and constant growth.

Corporate Culture

The Group promotes a strong innovative results oriented corporate culture.

The culture of the Group is to go the extra mile for its customers, suppliers and shareholders.

The Board aims to lead by example and do what is in the best interests of the Company.

The Group maintains its focus on motivated and inspired people and ensuring competitive compensation through an effective pay system based on results.

In order to increase the tenants and visitors bases which are loyal to the Group, it is vital that all the Group employees act in a way that reflects the values of the Group business.

The corporate behavior guidelines, which are read by all employees as part of their induction, provide further specific details of aforementioned values and principles of ethical behavior promoted within the Group.

The Board authorised the CEO to manage the Group's day-to-day business. The CEO regularly arranges meetings both with the senior top management and with other Group staff and articulates how the Group's objectives, strategy and business model should be consistent with the Group's corporate culture. Also the CEO and the senior top management team receives feedback from the Group's employees on their vision on how corporate values are used in the operational activities and how they may improve the effectiveness on the Group's performance.

Board of Directors

Urmas Somelar

Background
Urmas Somelar currently acts as a management consultant, working through his private company US Juhtimise. Previously Urmas worked for over 20 years in banking, predominantly in the credit and credit risk areas. He has extensive knowledge of credit analysis, corporate restructuring and repossessed asset turnaround. Between 2009 and 2015 Urmas built up and led different units within the Swedbank Group, working in the Baltics as well as Russia and Ukraine. Between 2015 and 2017, Urmas acted as the CEO at Riigi Kinnisvara, an Estonian state real estate property and facility management company, which owns and manages more than 1.2 million square metres of office and specialised property.

Mr. Somelar's significant banking experience benefits the Group in terms of streamlining the Group's strategy and in growing the business in Ukraine and internationally.
His experience comes from the top managerial level engagements in multinational banks in different East European countries and top executives within Estonian State real estate companies catering for the premises needs for the majority of the Estonian state sector needs. Mr. Somelar's skillset and personal qualities include interdisciplinary knowledge of managerial, financial and legal aspects of midcap/large companies, hands-on knowledge of restructuring and re-orienting companies, strong strategic and analytical thinking, high integrity and ability to work within different cultural environments.

Expertise and focus
Mr. Somelar leads and brings together the skills, qualities and experiences of the other members of the Board, to provide oversight and scrutiny of the performance of the executive management team, constructively challenging and inspiring them to continue to improve the performance of the Company at all levels,

Mr. Somelar is an experienced leader, he combines management consultancy services provided via his company to fintech and biotech startups with frequent participation in management professionals roundtables, internet community discussions and knowledge refreshment courses.

Urmas Somelar is also a member of the Audit Committee and the Remuneration Committee.

Volodymyr Tymochko

Background
Mr. Volodymyr Tymochko is a Private Equity Managing Director and Partner at Dragon Capital.

In this position, he is responsible for the investment management of DUPD – an AIM-listed property investment company with active real estate projects in Ukraine. Prior to joining Dragon AM Volodymyr was an Associate Director for Consulting and Investment Services at Colliers International. Volodymyr graduated from the National University of Kyiv-Mohyla Academy and holds an MA degree in Economic Theory.

Volodymyr is actively involved in the investment management of new and existing real estate investments in Ukraine, which grants him the most current legal, commercial, HR and financial experience relevant for various business matters the Company and its shareholders encounter.

Expertise and contribution
Mr. Tymochko was appointed as the investor Director, representing the interests of one of the Company's shareholders, DUPD, and uses his skills and experience in order to ensure that the Company delivers the maximum shareholder value with the adequate risk appetite.

Being a member of the Audit Committee, Volodymyr ensures the integrity of financial information, and robustness of the risk management systems.
Mr. Volodymyr Tymochko is also a member of the Remuneration Committee.

Volodymyr uses his awareness of local market conditions, market practices, taxation and legal requirements in order to evaluate the accuracy of calculations and forecasts, for example, when considering and approving the Group's budget and competitiveness of the remuneration arrangements when performing the duties of the Remuneration Committee member.

Frank Lewis

Background
Frank Lewis has a wealth of public company experience, having served as a Non-Executive Chairman and Director for a number of international publicly-quoted firms with interests across Europe, the Far East, Middle East and Africa, which has given him a sound understanding of different business cultures and working practices, as well as considerable expertise in numerous business sectors.

In addition to his non-executive roles, Frank had over 25 years of public and private company boardroom-level experience, including as Finance Director, CEO and Chairman, during which time he has been involved in numerous areas of business, including strategic planning, growth management, IPOs, corporate governance and regulatory compliance.

He is a Fellow of the Institute of Chartered Accountants in England & Wales, and was previously a member of the AIM Advisory Council, which advises the London Stock Exchange on matters relating to the AIM market.

Expertise and contribution
Mr. Lewis provides assistance to the Group with policy making, compliance and strategy development, with a particular focus on ensuring company compliance with corporate governance and with London Stock Exchange Rules and Regulations. He is a highly experienced non-executive Board Director with sound business judgment and excellent communication skills.

He regularly attends seminars, conferences and meetings on accounting, corporate governance, stock exchange rules, Company Law and the role of the Board of Directors.

Mr. Frank Lewis also holds the positions of Chairman of the Audit Committee and the Remuneration Committee from 15 May 2019.

Juri Pold

Background

Juri Pold as a construction and development professional has more than 20 years of experience working for European companies and respectively the best practices and best European approaches to construction of civil (non-residential) projects. Juri graduated from the Estonian Agricultural University as a civil engineer in 1991. Mr Pold started his professional career in 1990 as a project manager. In 1997 Juri joined Skanska, a world leading project development and construction group based in Sweden. Among the main achievements of Juri in Skanska was the development of several infrastructural nationwide projects in Finland and Estonia.

Since 2007, Mr Pold acted as a construction director of Expert Capital Management OU; it was an active start of expanding the development projects of shopping malls in Ukraine. Mr Pold occupied the position of construction director until 2009. During this period, Juri in cooperation with the team of international professionals engaged by Expert Capital Management OU worked on commercial real estate projects in Ukraine and Estonia. As a result, one of the first professional malls named - "Sun Gallery" Shopping and Entertainment Center was opened in 2008 in Kryvyi Rih, Ukraine.

In 2013, Mr Pold continued his career as a consultant, where his competence in construction and investments supported the companies' development strategies.

Expertise and contribution

Juri has a wealth of experience in working in Ukraine and in other countries, particularly in solving administrative issues in prospective development projects. By joining the Board of Directors of Arricano Real Estate Plc, Mr. Juri Pold has strengthened the team of professionals engaged in management and supervision of the Group's strategic development and expansion.

Mr. Pold was appointed as the investor Director representing interests of the Company's majority shareholder, Retail Real Estate OU, also Juri holds a number of the Company's shares and he was also appointed as an Executive Director to manage a part of the Group's business. He uses his experience, skills and personal qualities to ensure that the Company delivers the maximum shareholder value with the adequate risk appetite.

In addition, Juri brings difficult issues to the attention of the shareholders; such as promoting the goodwill and protection of shareholders' interests, the review and evaluation of present and future opportunities, monitoring the implementation of policies, strategies and business plans.

Juri uses his experience in construction and investments in order to support the Group's development strategies.

Juri keeps his skillset up-to-date and is in close contact with the Group and Group's shareholders. He actively reviews the agendas for conferences and joins online workshops in order to gain an insight regarding essential management skills. Juri brings technical consultancy services and management, he participates in professional sessions, panels, and communicates with leaders of various business organisations.

Georgios Komodromos

(appointed on 26 February 2020)

Background

Georgios Komodromos is a Senior Lawyer/Associate and the Head of the Financial Regulation Department at the law firm of NICOS CHR. ANASTASIADES & PARTNERS LLC, based in Limassol, Cyprus. Georgios has over 12 years of legal experience, dealing with and advising mostly high net-worth individuals in the commercial sector. Georgios practices several areas of law which mainly include commercial and corporate law, banking law, legal compliance, construction and property law. During his legal career, Georgios has dealt with and been involved in numerous important projects which include inter alia joint ventures of significant value, takeovers of private equity and investment companies and the business development of financial institutions in several jurisdictions including the jurisdiction of the Republic of Cyprus.

Georgios Komodromos graduated and obtained his Bachelor of Laws (LL.B) from the National and Kapodistrian University of Athens (Greece) and thereafter obtained a Master of Laws (LL.M) with a specialisation in Commercial Law, from the University of Bristol (United Kingdom). He is currently a member of the Cyprus Bar Association.

Georgios Komodromos keeps his skillset up to date by attending seminars, conferences and Continuous Professional Training Courses, relating to, inter alia, Anti – Money Laundering and Compliance, International Commercial Law and Company Law.

Expertise and Contribution

Georgios Komodromos combines his deep knowledge in International Law, Banking Law, Tax Law and Commercial Law with his vast experience in Cyprus Law and provides ongoing legal advisory assistance and guidance to the Company with respect to the date to date corporate, administrative and compliance matters of the Company. Being also highly experienced in Cyprus Companies Law, his legal contribution to the Company focuses, inter alia, in ensuring that the Company fulfils the requirements set by the domestic and European legislation.

Georgios is knowledgeable and qualified to advise the Company on Anti-Money Laundering and legal compliance matters and assists the Company in following and complying with the amendments of the International, European and Cyprus Law.

Senior Management

Ganna Chubotina
Chief Executive Officer

On December 12, 2019 at the meeting of the Board of Directors of Arricano Real Estate plc, Ganna Chubotina was appointed to the role of CEO of Arricano Group.

Before Ganna assumed the office of Arricano Director of Retail Leasing Department from March 2016. Management of Leasing Department, development and implementation of plan package for optimization of business processes of retail space lease with a view to increase the company's profitability, creation and implementation of shopping malls' development strategies, efficient work with the existing tenants and involvement of new ones are key areas of Ganna's work.
Ganna came to Arricano from JLL Ukraine where she held the office of Retail Space Department Head. She has been working for over 18 years in the field of commercial real estate nine of which were at JLL Ukraine.

Ms. Chubotina's professional portfolio includes working with such large players of retail property market as SvitLand Ukraine, King Cross & Komfort Invest, Arricano Real Estate, DCH Real Estate, Kray Property and such projects as Décor Service national furniture and décor network, Sky Mall shopping mall (Kyiv), Prospekt shopping mall (Kyiv), MFC Silver Breeze (Kyiv), Magellan shopping mall, (Kharkiv), Victoria Gardens shopping mall (Lviv) and others.
Ganna graduated from Romano-Germanic Philology and Foreign Literature faculty of M. P. Dragomanov National Pedagogical University. Then she obtained degrees in Economics and Marketing at Kyiv National University of Trade and Economics.
As CEO, Ms. Chubotina's responsibilities include managing the Group's day-to-day business and operations based on strategy and decisions approved by the Board.

Lauri Reinberg
Chief Financial Officer

Mr.Lauri Reinberg has more than 20 years of experience in financial management and planning on Eastern European real estate markets.

Mr.Reinberg joined the Arricano team in October 2017 as the Head of Financial Control. Prior to his role at Arricano, Lauri served as CFO of Pocopay, a large digital banking company based in Estonia.

Over 15 he had been holding numerous senior finance roles at the Financial Department of Swedbank, including the CFO of Financial Restructuring and Recovery and the CFO of Swedbank's Eastern European operations. Between 2007 and 2009, Lauri served as the CFO of Retail Real Estate S.A. in Ukraine (formerly named Expert Capital S.A.).

Mr.Reinberg received his Master of Science degree in Business Administration from Estonian Business School in 2002 and Bachelor of Science degree from University of Tartu in 1995.

As CFO, Lauri Reinberg will oversee Arricano's finance, accounting, financial planning & analysis, tax and treasury areas of the business.

Denys Kornuta
Director of the Retail Space Department

Mr. Kornuta joined the Arricano team in June 2020 as a Director of the Retail Space Department.

Earlier, Mr.Kornuta worked for such leading consulting and development companies as Cushman & Wakefield, JLL, City Capital Group and UTG. He provided a comprehensive support for the projects of Alexander Plaza, Cosmopolite Multimall, Spartak, Victoria Gardens and Veles shopping malls located in Kyiv and in the regions. Denys's professional experience includes more than 10 years of work in the commercial real estate market, and his portfolio includes a number of successful Ukrainian projects.

Mr. Kornuta has graduated from the National Linguistic University.

On the position of the Director of Retail Leasing department Mr.Kornuta continues to ensure sustainable and mutually beneficial partnership with tenants, developing and implementing new up to date concepts and performing reconceptualization of the malls, as well as implementing projects aimed at improvement of financial performance and turnover of mall operators.

Mykola Yakimenko
Head of Developing Department, Acting Director of Operations and Maintenance

Mr. Mykola Yakimenko joined Arricano team in 2010 as the head of projects and programs. He was responsible for the construction works in the lease areas during Sky Mall shopping center construction, and he also managed RayON shopping center project.

In 2012, Mr. Yakimenko was appointed to the position of the head of the "Lukianivka" project. Since February 2016, Mr. Yakimenko has been working in the position of acting head of development. Before joining Arricano, Mr. Yakimenko worked as a project portfolio manager in the sphere of commercial real estate in one of Ukrainian equity investment companies.
Mr.Yakimenko's career in the field of commercial real estate started in 2005 in the position of regional development manager of the network operator of "Amstor" grocery hypermarkets in the "Smart-Holding" group of companies.

Mr.Yakimenko graduated from the "Kyiv National Economic University named after Vadym Hetman" (Ukraine), where he obtained a master's degree in "Investment Management".

Olena Pogodina
Marketing Director

From July 1, 2020 Ms.Pogodina will hold the position of Marketing Director.

Ms.Pogodina has been working for Arricano since 2017, first as a digital manager and then as a Deputy Marketing Director. During this time, she was responsible for the development of digital and marketing projects for the brands of the following shopping malls: Prospekt shopping mall, RayON shopping mall, Sun Gallery shopping mall and City Mall.

Ms.Pogodina's professional portfolio includes a number of BTL, ATL and cross-branding promotions and partner events, aimed at strengthening the marketing positions of tenants in the mall and visitors' loyalty.

Ms. Pogodina has more than 10 years of experience in marketing, including strategic consulting and international media agencies.

As Marketing Director, Ms.Pogodina is responsible for efficient marketing tools and strategy in the mall's management.

Olexandr Nemer
Director of IT Department

From November 2015, Mr. Olexandr Nemer heads IT department of Arricano. Area of his responsibility includes issues of designing the company development strategy and tactics in IT area, management of in-house IT projects, design and organization of IT infrastructure.

Before Arricano, Mr.Nemer had over 11 years of professional experience in different areas of business of EasteOne Group (international investment and consulting group) on various positions: PJSC MMC-STB #1 TV channel in Ukraine – head of IT Infrastructure Exploitation Team, StarLightMedia - #1 media group in Ukraine – Deputy IT Director.

Olexandr's professional achievement portfolio includes a number of successful large-scale IT projects.

Mr.Nemer in 2004 graduated from Dnipropetrovsk National Mining University with a degree in Power Supply of Industrial Enterprises.He successfully completed his studies in the areas of ITIL and COBI; when implementing the tasks, he observes PMBoKprinciples.

Vitalii Nevinchanyi
Director of the Legal Department

On August 17, 2020, the Arricano Legal Department in Ukraine was headed by Mr.Vitalii Nevinchanyi.

Mr. Nevinchanyi responsibilities include general management of the department, which consists of offices for dealing with residents and non-residents, legal support of the company's activities, as well as the implementation of efficient solutions in the relevant business processes.

Mr. Nevinchanyi has experience as the head of the legal department at the world's leading retailer – Inditex group in Ukraine and as a lawyer at the leading law firm in Ukraine – Vasyl Kisil & Partners Law Firm.

Mr. Nevinchanyi got the law degree at the Taras Shevchenko National University of Kyiv and the degree in economics at the Vadym Hetman Kyiv National University of Economics.

Olena Obukhivska
Director of Communications

Ms. Obukhivska has been working for the company since 2015, she was responsible for the formation and development of the company's business reputation, support of corporate B2B and CSR projects, cooperation with media and establishing Media Relations, positioning of the malls and implementation of B2C programs.

Ms. Obukhivska PR & Communication portfolio includes more than 100 projects implemented in the FMCG, Retail and Development segments in Ukraine, as well as a number of consulting projects for national and international brands. Prior to working at Arricano, Ms. Obukhivska managed the PR function at InBev, Veres, and Eurotech.

Ms. Obukhivska has graduated from the National University of Kyiv-Mohyla Academy, NIMA Netherlands Institute of Marketing and the University of Maria Curie-Skłodowskiej (Lublin, Poland).

As Director of Communications, Ms. Obukhivska is responsible for development of B2B and B2C communications as strategic business function, corporate reputation management, and cooperation with the business community.

Audit Committee Report

This report addresses the responsibilities, the membership and the activities of the Audit Committee during the year ended 31 December 2020.

Responsibilities
The Audit Committee is responsible for ensuring that Group maintains a strong control environment. It provides effective governance over the Group's financial reporting, including oversight and review of the systems of internal control and risk management and of the performance of external audit functions.

Membership
Since October 2013, the Board of Directors established the operation of the Audit Committee. As at 31 December 2019 the Audit Committee comprised of three Non-Executive Directors. The audit committee is chaired by Mr. Frank Lewis; Mr. Volodymyr Tymochko and Mr. Urmas Somelar are the other members.

Activities
The Audit Committee held five formal meetings, number of consultation meetings and had conducted the respective preparational and analytical work during the fiscal year 2020 in order to provide confidence to shareholders on the integrity of the financial results of the Group, expressed in the annual report and accounts and other relevant public announcements of the Group. The members of the Audit Committee had the opportunity to challenge both the external auditors and the management of the Group.

The Group's external auditor was invited to attend the Committee meeting held on 24th April 2020. The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Group and the Group's independent auditor. The Committee discussed with the independent auditor the overall scope and plans for their respective audits. The Committee meets the independent auditor, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal control and the overall quality of the Company's financial reporting.

External Auditor
The Committee is responsible for the relationship with the Group external auditor.

Financial Reporting
The Committee reviews and approves interim Group Consolidated financial statements as well as Group Annual Consolidated financial statements.

The Group's Auditor, presents to the Audit Committee, the key audit matters of the Annual Consolidated financial statements. The Audit Committee reviews and addresses issues if necessary.

Internal Controls and Risk Management, Whistleblowing and Fraud
The Audit Committee oversees internal financial controls, risk management policies and procedures. The Group adopted the system of internal control policies and procedures.

The Committee's principal duties are to:
- make recommendations to the Board on the appointment, re-appointment or removal of the external auditor and the amount of its remuneration;
- evaluate the qualifications, performance and independence of the Group's Independent Auditor and determine whether to re-engage the current Independent Auditor. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors capabilities and the auditors' technical expertise and knowledge of the Group's operations and industry;
- discuss and agree the scope of the audit and review the auditor's management letter and the Group's response;
- review half-year and annual financial statements and formal announcements relating to the financial performance;
- review the adequacy and effectiveness of the Group's internal financial controls, and internal control and risk management systems;
- evaluate compliance with relevant laws and regulations.

Conclusion
In 2021 and beyond, the Committee will continue to adapt to new reporting and regulatory requirements. In addition, the evolving financial and risk management environment will inform our future decisions.

Remuneration Committee Report

The report for the year ended 31 December 2020 sets out the details of the remuneration policy for the Directors and discloses the amounts paid during the year.

Remuneration Committee

Since October 2013, the Board of Directors established the operation of the Remuneration Committee. The Remuneration Committee comprises of three Non-Executive Directors. The remuneration committee is chaired by Mr. Frank Lewis; Mr. Volodymyr Tymochko and Mr. Urmas Somelar are the other members.

The responsibility of the Remuneration Committee is to inform, advise and support the Board regarding the design, revision and implementation of the remuneration policy in order to attract, retain and to motivate the high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver strategy. To achieve the above purpose, the Committee may consider the following categories of remuneration: annual fees, associated benefits and performance based bonuses.

The members of the Remuneration Committee had 3 formal meeting, number of consultation meetings and had conducted the respective preparational and analytical work during the year ended 31 December 2020 in order to inform, advise and support the Board regarding the implementation of the remuneration principles, propose the remuneration of the members of the Board and to approve the annual bonus of the CEO, based on the achievement of the Group's annual goals.

Directors Remuneration

The remuneration of the Board of directors for the year ended 31 December 2020 amounted to USD 108 thousand (2019: USD 446 thousand).

	Salary/fee (USD)
Georgios Komodromos	10,991
Volodymyr Tymochko	0
Juri Pold	52,520
Urmas Somelar	12,573
Frank Lewis	31,875
	107,958

The remuneration of the Directors is approved by the Board.

Juri Pold
Director

21 April 2021

Consolidated Statement of Financial Position

as at 31 December 2020

(in thousands of USD)	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Investment property	5	**275,452**	289,300
Long-term VAT receivable		**4,130**	1,571
Property and equipment		**94**	130
Intangible assets		**126**	193
Total non-current assets		**279,802**	291,194
Current assets			
Trade and other receivables	7	**1,673**	1,634
Loans receivable	6	**-**	-
Prepayments made and other assets		**479**	959
VAT receivable		**576**	1,909
Assets classified as held for sale	8	**1,529**	1,826
Income tax receivable		**380**	347
Cash and cash equivalents	9	**12,062**	6,905
Total current assets		**16,699**	13,580
Total assets		**296,501**	304,774

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 28 to 70.

(in thousands of USD)	Note	31 December 2020	31 December 2019
Equity and Liabilities			
Equity	10		
Share capital		**67**	67
Share premium		**183,727**	183,727
Non-reciprocal shareholders contribution		**59,713**	59,713
Retained earnings		**67,142**	46,962
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(129,272)**	(100,581)
Total equity		**119,394**	127,905
Non-current liabilities			
Long-term borrowings	12	**73,458**	26,954
Long–term trade and other payables	13	**15,330**	14,105
Other long-term liabilities	15	**31,462**	143
Deferred tax liability	19	**5,796**	10,693
Total non-current liabilities		**126,046**	51,895
Current liabilities			
Short-term borrowings	12	**32,360**	75,445
Trade and other payables	13	**3,712**	6,460
Taxes payable other than income tax		**5,015**	3,789
Advances received	14	**5,503**	6,668
Other liabilities	15	**4,471**	32,612
Total current liabilities		**51,061**	124,974
Total liabilities		**177,107**	176,869
Total equity and liabilities		**296,501**	304,774

These consolidated financial statements were approved by management on 21 April 2021 and were signed on its behalf by:

Juri Pold
Director

George Komodromos
Director

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 28 to 70.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

(in thousands of USD, except for earnings per share)	Note	2020	2019
Revenue	16	**32,303**	37,252
Gain/(loss) on revaluation of investment property	5(a)	**24,859**	(12,177)
Goods, raw materials and services used		**(1,005)**	(1,196)
Operating expenses	17	**(7,412)**	(8,994)
Salary costs		**(1,753)**	(2,179)
Salary related charges		**(335)**	(375)
Depreciation and amortisation		**(131)**	(98)
Profit from operating activities		**46,526**	12,233
Finance income	18	**143**	8,943
Finance costs	18	**(21,887)**	(12,319)
Net finance costs		**(21,744)**	(3,376)
Profit before income tax		**24,782**	8,857
Income tax expense	19	**(4,602)**	(832)
Net profit for the year		**20,180**	8,025
Items that will be reclassified to profit or loss:			
Foreign exchange gains/ (losses) on monetary items that form part of net investment in the foreign operation, net of tax effect	20(f)(i)	**(49,834)**	46,014
Foreign currency translation differences on foreign operations	20(f)(i)	**21,143**	(20,166)
Total items that will be reclassified to profit or loss		**(28,691)**	25,848
Other comprehensive income (loss)		**(28,691)**	25,848
Total comprehensive income (loss) for the year		**(8,511)**	33,873
Weighted average number of shares (in shares)	11	**103,270,637**	103,270,637
Basic and diluted earnings per share, USD	11	**0.19541**	0.07771

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 28 to 70.

Consolidated Statement Of Cash Flows

for the year ended 31 December 2020

(in thousands of USD)	Note	2020	2019
Cash flows from operating activities			
Profit before income tax		**24,782**	8,857
Adjustments for:			
Finance income, excluding foreign exchange gain	18	**(143)**	(470)
Finance costs, excluding foreign exchange loss	18	**12,213**	12,319
(Gain) / loss on revaluation of investment property	5(a)	**(24,859)**	12,177
Depreciation and amortisation		**131**	98
Unrealized foreign exchange loss / (gain)	18	**9,674**	(8,473)
Accrual of provisions		**845**	2,445
Operating cash flows before changes in working capital		**22,643**	26,953
Change in trade and other receivables		**(108)**	593
Change in prepayments made and other assets		**569**	(34)
Change in VAT receivable		**17**	(2,363)
Change in taxes payable		**1,704**	1,914
Change in trade and other payables		**(4,667)**	1,820
Change in advances received		**62**	170
Change in other liabilities		**(432)**	98
Income tax paid		**(917)**	(1,578)
Interest paid		**(7,934)**	(4,937)
Cash flows from operating activities		**10,937**	22,636
Cash flows from investing activities			
Acquisition of investment property and settlements of payables due to constructors		**(7,749)**	(20,174)
Acquisition of property and equipment		**(85)**	(159)
Interest received		**143**	470
Cash flows used in investing activities		**(7,691)**	(19,863)
Cash flows from financing activities			
Proceeds from borrowings	12	**18,232**	27,839
Repayment of borrowings	12	**(15,094)**	(28,245)
Cash flows from/(used in) financing activities		**3,138**	(406)
Net increase in cash and cash equivalents		**6,384**	2,367
Cash and cash equivalents at 1 January		**6,905**	4,224
Effect of movements in exchange rates on cash and cash equivalents		**(1,227)**	314
Cash and cash equivalents at 31 December	9	**12,062**	6,905

Non-cash movements

During the year ended 31 December 2020 and 31 December 2019, no non-cash movement took.
The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 28 to 70.

Consolidated Statement of Changes in Equity

as at and for the year ended 31 December 2020

	Attributable to equity holders of the parent						
(in thousands of USD)	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings	Other reserves	Foreign currency translation differences	Total
Balances at 1 January 2019	67	183,727	59,713	38,937	(61,983)	(126,429)	94,032
Total comprehensive income/(loss) for the year							
Net profit for the year	-	-	-	8,025	-	-	8,025
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (Note 20(f)(i))	-	-	-	-	-	46,014	46,014
Foreign currency translation differences	-	-	-	-	-	(20,166)	(20,166)
Total other comprehensive income for the year	-	-	-	-	-	25,848	25,848
Total comprehensive income for the year	-	-	-	8,025	-	25,848	33,873
Balances at 31 December 2019	67	183,727	59,713	46,962	(61,983)	(100,581)	127,905

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 28 to 70.

	Attributable to equity holders of the parent						
(in thousands of USD)	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings	Other reserves	Foreign currency translation differences	Total
Balances at 1 January 2019	**67**	**183,727**	**59,713**	**46,962**	**(61,983)**	**(100,581)**	**127,905**
Total comprehensive income/(loss) for the year							
Net profit for the year	**-**	**-**	**-**	**20,180**	**-**	**-**	**20,180**
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (Note 20(f)(i))	**-**	**-**	**-**	**-**	**-**	**(49,834)**	**(49,834)**
Foreign currency translation differences	**-**	**-**	**-**	**-**	**-**	**21,143**	**21,143**
Total other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(28,691)**	**(28,691)**
Total comprehensive income for the year	**-**	**-**	**-**	**20,180**	**-**	**(28,691)**	**(8,511)**
Balances at 31 December 2019	**67**	**183,727**	**59,713**	**67,142**	**(61,983)**	**(129,272)**	**119,394**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 28 to 70.

Notes To The Consolidated Financial Statements

1 Background

(a) Organisation and operations

Arricano Real Estate PLC (Arricano, the Company or the Parent Company) is a public company that was incorporated in Cyprus and is listed on the AIM Market of the London Stock Exchange. The Parent Company's registered address is office 1002, 10th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus. Arricano and its subsidiaries are referred to as the Group, and their principal place of business is in Ukraine.

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 31 December 2020, the Group operated five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 147,900 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be developed.

The average number of employees employed by the Group during the year is 78 (2019: 94).

(b) Ukrainian business environment

The Group's operations are primarily located in Ukraine. Consequently, the Group is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market.

The political and economic situation in Ukraine has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Ukraine. Additionally, an armed conflict in certain parts of Lugansk and Donetsk regions, which started in spring 2014, has not been resolved and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Various events in March 2014 led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. Consequently, operations in the country involve risks that do not typically exist in other markets.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the COVID-19. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Ukrainian hryvnia and Russian ruble. Responding to the potentially serious threat the COVID-19 presents to public health, Ukrainian government authorities have taken measures to contain the outbreak, introducing restrictions on the movement of people within Ukraine and the 'lock-down' of cities in regions likely to be affected by the outbreak, suspension of transport links with Ukraine and entry restrictions on visitors pending further developments. Some businesses have also instructed employees to remain at home and curtailed or temporarily suspended business operations.

The Ukrainian central and local governments, as part of their efforts to combat the COVID-19 pandemic, temporary restricted customers access to Ukrainian retail shopping centres from 16 March 2020 until 10 May 2020. This decision has resulted in the temporary closure of four out of five of the Group's retail shopping centres: Prospekt (Kyiv), Rayon (Kyiv), City Mall (Zaporizhzhia) and Sun Gallery (Kryvyi Rig). Starting from 28 March 2020 until 17 May 2020 the fifth retail shopping center, South Gallery (Simferopol), was also temporarily closed. However, the hypermarkets, pharmacies and some other stores located within the centres continued to operate.

Subsequent to the reporting date, lockdown was introduced by the government in Ukraine for 2.5 weeks in January 2021 and then another lockdown was introduced in Kyiv from 20 March 2021 till 30 April 2021 and in Zaporozhya on 3 April 2021. As a result of the latest lockdown, apart from hypermarkets, pharmacies and some other essential stores, outlets in Arricano's Prospekt, Rayon and City Mall centres remain closed until further notice. Its other shopping centres, however, are trading normally.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances related to COVID-19 pandemic, a continuation of the current unstable business environment would negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Cyprus business environment

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a "bail in".

The Cyprus Government successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used EUR 7,25 billion of the total EUR 10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country's economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect estimates of the Group's cash flows and its assessment of impairment of financial and non-financial assets.

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

1 Background (continued)

(c) Cyprus business environment continued

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

(d) Russian business environment

The Group's operations are also carried out in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations.

The longer-term effects of the imposed and possible additional sanctions are difficult to determine. The COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (EU).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment property, which is carried at fair value.

(c) Functional and presentation currency

The functional currency of Arricano Real Estate PLC is the US dollar (USD). The majority of Group entities are located in either Ukraine or in the Russian Federation and have the Ukrainian Hryvnia (UAH) or Russian Rouble (RUB) as their functional currencies since substantially all transactions and balances of these entities are denominated in the mentioned currencies. The Group entities located in Cyprus, Estonia, Isle of Man and BVI have the US dollar as their functional currency, since substantially all transactions and balances of these entities are denominated in US dollar.

For the benefits of principal users, the management chose to present the consolidated financial statements in USD, rounded to the nearest thousand.

In translating the consolidated financial statements into USD the Group follows a translation policy in accordance with International Financial Reporting Standard IAS 21 The Effects of Changes in Foreign Exchange Rates and the following rates are used:

- Historical rates: for the equity accounts except for net profit or loss and other comprehensive income (loss) for the year.
- Year-end rate: for all assets and liabilities.
- Rates at the dates of transactions: for the statement of profit or loss and other comprehensive income and for capital transactions.

UAH and RUB are not freely convertible currencies outside Ukraine and the Russian Federation, and, accordingly, any conversion of UAH and RUB amounts into USD should not be construed as a representation that UAH and RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

The principal USD exchange rates used in the preparation of these consolidated financial statements are as follows.

Year-end USD exchange rates as at 31 December are as follows:

Currency	2020	2019
UAH	**28.27**	23.68
RUB	**73.88**	61.91

Average USD exchange rates for the years ended 31 December are as follows:

Currency	2020	2019
UAH	**26.96**	25.85
RUB	**71.94**	64.74

As at the date these consolidated financial statements are authorised for issue, 21 April 2021, the exchange rate is UAH 28.01 to USD 1.00 and RUB 76.02 to USD 1.00.

(d) Use of judgments, estimates and assumptions

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and have significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 2(c) – determination of functional currency,
- Note 5 – valuation of investment property,

(e) Going concern

As at 31 December 2020, the Group's current liabilities exceeded its current assets by USD 34,362 thousand. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At the same time, the Group has positive equity of USD 119,394 thousand as at 31 December 2020, generated net profit of USD 20,180 thousand and positive cash flows from operating activities amounting to USD 10,937 thousand for the year then ended.

Management is undertaking the following measures in order to ensure the Group's continuing operation on a going concern basis:

- Management makes all efforts to keep occupancy rates of its shopping centers on current level. Besides, the Group managed to gradually increase its rental rates during the year for existing tenants.
- The Group expects it will be able to draw on existing facilities granted from entities under common control, should this be required for operational and other needs of the Group.
- In accordance with the forecast for 2021 that is being revised on ongoing basis, taking into account already existing and potential future impact of COVID-19 on the Group's financial performance, the Group plans to earn revenue that together with other measures undertaken by the Group's management, including negotiations with lenders, will give an ability to settle the Group's current liabilities in the normal course of business.
- In addition, the Group's management received a waiver from the bank lender for application of the condition based on which the lender can request repayment of the full amount of the loan during 3-month period (Note 12) and as result the loan part in amount of USD 13,168 thousand presented as at 31 December 2020 as short-term liabilities is expected to be repayable after 31 December 2021. The waiver is active for 12-months period after 31 December 2020.

Management believes that notwithstanding material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future exists, the measures that management undertakes, as described above, will allow the Group to maintain positive working capital, generate positive operating cash flows and continue business operations on going concern basis.

These consolidated financial statements are prepared on a going concern basis, which contemplates the realisation of assets and the settlement of liabilities in the normal course of business.

2 Basis of preparation (continued)

(f) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
Further information about the assumptions made in measuring fair values is included in the following Notes:

- Note 5 – investment property; and
- Note 20(f)(iii) – fair values.

3 Changes in accounting policies

The Group has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The amendment had no significant impact on the financial statements.

4 Significant accounting policies and transition to new standards

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognised.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Consolidated entities as at 31 December are as follows:

Name (in thousands of USD, except for % of ownership)	Country of incorporation	Cost		% of ownership	
		2020	2019	2020	2019
Praxifin Holdings Limited	Cyprus	3	3	100.00%	100.00%
U.A. Terra Property Management Limited	Cyprus	3	3	100.00%	100.00%
Museo Holdings Limited	Cyprus	3	3	100.00%	100.00%
Sunloop Co Limited	Cyprus	3	3	100.00%	100.00%
Lacecap Limited	Isle of Man	3	3	100.00%	100.00%
Beta Property Management Limited	Cyprus	3	3	100.00%	100.00%
Voyazh-Krym LLC	Ukraine	363	363	100.00%	100.00%
PrJSC Livoberezhzhiainvest	Ukraine	69	69	100.00%	100.00%
PrJSC Grandinvest	Ukraine	69	69	100.00%	100.00%
Arricano Property Management LLC	Ukraine	5	5	100.00%	100.00%
PrJSC Ukrpangroup	Ukraine	59	59	100.00%	100.00%
Prisma Alfa LLC	Ukraine	4	4	100.00%	100.00%
Arricano Development LLC	Ukraine	9	9	100.00%	100.00%
Prisma Development LLC	Ukraine	4	4	100.00%	100.00%
Arricano Real Estate LLC	Ukraine	-	-	100.00%	100.00%
Twible Holdings Limited	Cyprus	-	-	100.00%	100.00%
Gelida Holding Limited	Cyprus	-	-	100.00%	100.00%
Sapete Holdings Limited	Cyprus	-	-	100.00%	100.00%
Wayfield Limited	Cyprus	-	-	100.00%	100.00%
Comfort Market Luks LLC	Ukraine	40,666	40,666	100.00%	100.00%
Mezokred Holding LLC	Ukraine	8,109	8,109	100.00%	100.00%
Vektor Capital LLC	Ukraine	11,441	11,441	100.00%	100.00%
Budkhol LLC	Ukraine	31,300	31,300	100.00%	100.00%
Budkholinvest LLC	Ukraine	-	-	100.00%	100.00%
Green City LLC	Russian Federation	-	-	100.00%	100.00%
RRE Development Services OU	Estonia	-	-	100.00%	100.00%
Coppersnow Limited	British Virgin Islands	-	-	100.00%	100.00%

4 Significant accounting policies and transition to new standards (continued)

(a) Basis of consolidation continued

(iii) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates is accounted for using the equity method and is recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The listing of associates as at 31 December is as follows:

		% of ownership	
Name	Country of incorporation	2020	2019
Filgate Credit Enterprises Limited	Cyprus	49.00%	49.00%

On 14 December 2016, the Parent Company acquired a non-controlling interest (49% of corporate rights) of Filgate Credit Enterprises Limited from Weather Empire, the company under common control incorporated in Cyprus, in exchange for loan receivable from Weather Empire Limited as an additional instrument in legal proceedings regarding gaining control over the Sky Mall. As part of the above acquisition, the rights to receive certain loans payable by Filgate Credit Enterprises Limited to entities under common control in amount of USD 215,891 thousand were reassigned to the Group for a nominal amount of USD 1. The fair value of these loans receivable is considered to be nil at the date of reassignment.

In addition, a call share option agreement was concluded granting an option to the Parent Company to purchase the remaining 51% of the corporate rights of Filgate Credit Enterprises Limited within 5 years from the effective date. Exercise of the call option depends on certain criteria and occurrence of certain condition, and, as at the date of these consolidated financial statements are authorised for issuance, the call option had not been exercised by the Group. Thus, the rights under the call option agreement were not taken into consideration upon recognition of investment in Filgate Credit Enterprises Limited and determination of the investment's classification.

(iv) Transactions with entities under common control

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for using book value accounting. Any result from the acquisition is recognised directly in equity.

Disposals to entities under common control

Disposals of interests in subsidiaries to entities that are under the control of the shareholder that controls the Group are accounted for using book value accounting. Any result from the disposal is recognised directly in equity.

(v) Loss of control

Upon the loss of control, the Group derecognises the carrying amounts of the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

(vi) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions and operations

(i) Foreign currency transactions

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

Foreign currency transactions of Group entities located in Ukraine

In preparation of these consolidated financial statements for the retranslation of the operations and balances of Group entities located in Ukraine denominated in foreign currencies, management applied the National Bank of Ukraine's (NBU) official rates. Management believes that application of these rates substantially serves comparability purposes.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation difference reserve in equity.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

4 Significant accounting policies and transition to new standards (continued)

(c) Financial instruments continued

(iii) Classification and subsequent measurement of financial assets continued

The Group's financial assets comprise trade and other receivables, loans receivable and cash and cash equivalents and are classified into the financial assets at amortised cost category.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents comprise cash balances on the current accounts and call deposits.

(iv) Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(v) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(vi) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss (except for the part of the fair value change that is due to changes in the Group's own credit risk, that is recognised in other comprehensive income). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group measures all of its financial liabilities at amortised cost.

(vii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:
- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities
The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the central bank key rate, if the loan contract entitles banks to do so and the Group has an option to either accept the revised rate or redeem the loan at par without penalty.

The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:
- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(viii) Offsetting
Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(d) Capital and reserves
Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Share premium
Share premium reserves include amounts that were created due to the issue of share capital at a value price greater than the nominal.

4 Significant accounting policies and transition to new standards (continued)

(d) Capital and reserves continued

Non-reciprocal shareholders contribution

Non-reciprocal shareholders contribution reserve includes contributions made by the shareholders directly in the reserves. The shareholders do not have any rights to these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval.

Retained earnings

Retained earnings include accumulated profits and losses incurred by the Group.

Other reserves

Other reserves comprise the effect of acquisition and disposal of subsidiaries under common control, change in non-controlling interest in these subsidiaries and the effect of forfeiture of shares.

Foreign currency translation differences

Foreign currency translation differences comprise foreign currency differences arising from the translation of the financial statements of foreign operations and foreign exchange gains and losses from monetary items that form part of the net investment in the foreign operation.

(e) Investment properties

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

Investment properties principally comprise freehold land, leasehold land and investment properties held for rental income earning or future redevelopment.

(i) Initial measurement and recognition

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

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

(i) Subsequent measurement

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

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured at fair value, and is not reclassified to property and equipment during the redevelopment.
When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

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

(ii) Property under development (construction)

Property that is being constructed or developed for future use as an investment property and for which it is not possible to reliably determine fair value is accounted for as an investment property that is stated at cost until construction or development is complete, or until it becomes possible to reliably determine its fair value. When construction is performed on land previously classified as an investment property and measured at fair value, such land continues to be accounted at fair value throughout the construction phase.

(f) Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified to investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

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

(iv) Depreciation

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- vehicles and equipment 5 years
- fixture and fittings 2.5 - 5 years

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

(g) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- software 3-5 years

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

(i) Assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Such assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property and equipment once classified as held for sale are not amortised or depreciated.

(j) Impairment

(i) Impairment - financial assets

The Group uses 'expected credit loss' (ECL) model. This impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade and other receivables, cash and cash equivalents and loans receivable.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

4 Significant accounting policies and transition to new standards (continued)

(j) Impairment continued

(i) Impairment - financial assets continued

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, for which loss allowances are measured as 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses on receivables and cash and cash equivalents are included in other expenses (and income from reversal of such expenses is included in other income) and are not shown separately in the statement of financial performance for reasons of materiality.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than investment property, deferred tax assets and inventory are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

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

(l) Revenue

Revenue of the Group is mainly represented by rental income recognized in accordance with

IFRS 16 Leases. For revenue from services in respect of exploitation of common parts and marketing services the Group has adopted IFRS 15 Revenue from Contracts with Customers. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Common parts exploitation services

Common parts exploitation services represent reimbursement by tenants of expenses on maintenance of common parts in shopping centres (e.g. utilities, cleaning, insurance, repairs, parking).

Revenue is recognised over time as those services are provided. As the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services provided to date, the Group uses practical expedient available in IFRS 15 and recognises revenue in the amount to which the Group has a right to invoice. Invoices for revenue from common parts exploitation services are issued on a monthly basis and are usually payable within 5-15 days.

Under IFRS 15, the total consideration in the service contracts that are partially within the scope of this Standard and partially within the scope of IFRS 16 Leases is allocated to all services based on their stand-alone selling prices.

The stand-alone selling price is determined based on contractually stated price that is defined separately for each obligation and reflects market prices for the similar services.

Marketing services

Revenue is recognised over time as those services are provided. As the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services provided to date, the Group uses practical expedient available in IFRS 15 and recognises revenue in the amount to which the Group has a right to invoice. Invoices for marketing services are issued on a monthly basis and are usually payable within 5-15 days.

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

(i) Rental income from investment property

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

(m) Leases

At inception of the contract, the Group assessed whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of the identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently accounted for in accordance with the accounting policy applicable to that asset:

- If accounted for as investment property, then measured at fair value following policy described in the Note 4(e).
- If accounted for as property and equipment, then depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

4 Significant accounting policies and transition to new standards (continued)

(m) Leases continued

(i) As a lessee continued

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.
The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In accordance with IFRS 16 variable payments which do not depend on index or rate, for example which do not reflect changes in market rental rates, should not be included in the measurement of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group has determined that, under the current revision mechanism, the land lease payments cannot be considered as either variable that depend on index or rate or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

(n) Finance income and costs

Finance income comprises interest income on funds invested, foreign currency gains, income from derecognition of finance lease liabilities and gains on initial recognition of financial liabilities at fair value.
Finance costs comprise interest expense on borrowings and on deferred consideration, foreign exchange losses, costs from recognition of finance lease liabilities.

Interest income or expense is recognised using the effective interest method.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses arising on loans receivable and borrowings are reported on a net basis as either finance income or finance cost.

(o) Income tax expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities ina transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

As at 31 December 2020 and 2019, there were no potential dilutive ordinary shares.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Management believes that during the current year and prior year, the Group operated in and was managed as one operating segment, being property investment, with investment properties located in Ukraine and the Republic of Crimea.

The Board of Directors, which is considered to be the chief operating decision maker of the Group for IFRS 8 Operating Segments purposes, receives semi-annually management accounts that are prepared in accordance with IFRSs as adopted by the EU and which present aggregated performance of all the Group’s investment properties.

(r) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

4 Significant accounting policies and transition to new standards (continued)

(r) New standards and interpretations not yet adopted continued

The Group has not started a formal assessment of potential impact on its consolidated financial statements resulting of the following amended standards and interpretations:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

5 Investment property

(a) Movements in investment property

Movements in investment property for the years ended 31 December are as follows:

(in thousands of USD)	Land held on freehold	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Total
At 1 January 2019	6,300	46,985	193,790	24	11,438	258,537
Derecognition of right-of-use assets*	-	(7,277)	-	-	-	(7,277)
Additions	-	-	-	-	9,173	9,173
Disposals	-	-	-	(17)	-	(17)
Fair value gains\(losses) on revaluation	(804)	(6,162)	(5,211)	-	-	(12,177)
Currency translation adjustment	804	6,504	30,971	1	2,781	41,061
At 31 December 2019/ 1 January 2020	**6,300**	**40,050**	**219,550**	**8**	**23,392**	**289,300**
Additions	-	-	127	251	10,078	10,456
Disposals	-	-	-	(3)	-	(3)
Fair value gain on revaluation	567	6,406	17,886	-	-	24,859
Currency translation adjustment	(1,067)	(6,756)	(37,062)	(123)	(4,152)	(49,160)
At 31 December 2020	**5,800**	**39,700**	**200,501**	**133**	**29,318**	**275,452**

*Derecognition of right-of-use assets during 2019 is a result of IFRS 16 application starting from 1 January 2019.

Capitalised borrowing costs related to the construction of Lukianivka shopping and entertainment center to USD 1,731 thousand (2019: USD 776 thousand), with a capitalisation rate of 11.3% (2019: 10.5%).

As at 31 December 2020, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 160,500 thousand (2019: USD 171,150 thousand) (refer to Note 21 (a)).

During the year ended 31 December 2020, 95% of total construction services were purchased from one counterparty (2019: 93%).

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category. As at 31 December 2020, the fair value of investment property categorised within the Level 2 category is USD 29,400 thousand (2019: USD 29,600 thousand). To assist with the estimation of the fair value of the Group's investment property as at 31 December 2020, which is represented by the shopping centres and land, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

The fair values are based on the estimated rental value of property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents. The valuation is prepared in accordance with the practice standards contained in the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS") or in accordance with International Valuation Standards published by the International Valuation Standards Council.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, when appropriate, counter-notices, have been served validly and within the appropriate time.

Land parcels are valued based on market prices for similar properties.

As at 31 December 2020, the estimation of fair value was made using a net present value calculation based on certain assumptions, the most important of which were as follows:

- monthly weighted average rental rates per shopping centers excluding turnover income, ranging from USD 9 to USD 19 per sq.m., comprising minimum rent al rate of USD 3 and maximum rental rate of 203 USD per sq.m., which were based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 98.1% to 100%, and capitalisation rates ranging from 12.5% to 16.5% p.a. which represented key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

As at 31 December 2019, the estimation of fair value is made using a net present value calculation based on certain assumptions, the most important of which are as follows:

- monthly weighted average rental rates per shopping centers excluding turnover income, ranging from USD 8 to USD 20 per sq.m., comprising minimum rental rate of USD 3 and maximum rental rate of USD 189 per sq.m., which are based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 98.8% to 100.0%, and capitalisation rates ranging from 12.3% to 16.0% p.a. which represent key unobservable inputs for determination of fair value.
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

The reconciliation from the opening balances to the closing balances for Level 3 fair value measurements is presented in Note 5(a).

As at 31 December 2020, the fair value of investment property denominated in functional currency amounted to UAH 5,660,575 thousand and RUB 3,383,507 thousand (2019: UAH 5,002,525 thousand and RUB 3,386,242 thousand). The increase in fair value of investment property results from increased rental payments invoiced in Ukrainian hryvnia and Russian Rouble due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the rental contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2020 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 2,206 thousand (2019: USD 2,366 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would USD 2,206 thousand (2019: USD 2,366 thousand) higher.
- If the capitalisation rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 15,294 thousand (2019: USD 16,759 thousand) lower. If the capitalisation rate is 1% less, then the fair value of investment properties would USD 17,785 thousand (2019: USD 19,557 thousand) higher.
- If the occupancy rate is 1% higher than that used in the valuation model, the fair value of investment properties would be USD 1,997 thousand higher (2019: if the occupancy rate is 1% higher than that used in the valuation model for shopping center "Sun Gallery" and is assumed to be 100% for other shopping centers, the fair value of investment properties would be USD 283 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 1,998 thousand (2019: USD 2,106 thousand) lower.

6 Loans receivable

Loans receivable as at 31 December are as follows:

(in thousands of USD)	2020	2019
Short-term loans receivable due from related parties	8,489	8,499
Accrued interest receivable due from related parties	2,719	2,719
Impairment of loans receivable due from related parties	(11,208)	(11,218)
	-	-

Included in loans receivable as at 31 December 2020 is a loan due from Filgate Credit Enterprises Limited amounting to USD 11,109 thousand (2019: USD 11,109 thousand). This loan receivable was fully impaired as at 31 December 2020 and 2019.

7 Trade and other receivables

Trade and other receivables as at 31 December are as follows:

(in thousands of USD)	2020	2019
Trade receivables from related parties	**1**	18
Other receivables from related parties	**8,160**	8,160
Allowance for impairment	**(8,158)**	(8,158)
	3	20
Trade receivables from third parties	**1,720**	1,621
Other receivables from third parties	**112**	75
Allowance for impairment	**(162)**	(82)
	1,670	1,614
	1,673	1,634

As at 31 December 2020, included in other receivables from related parties are receivables from Dniprovska Prystan PrJSC amounting to USD 7,796 thousand (2019: USD 7,796 thousand), which are overdue. In 2012, the court ruled to initiate bankruptcy proceedings against the mentioned related party and, on 20 May 2019, the decision which declare Dniprovska Prystan PrJSC insolvent has been made. Full amount of receivable was impaired as at 31 December 2020 and 2019.

8 Assets classified as held for sale

(a) Movements in assets classified as held for sale

Movements in assets classified as held for sale for the years ended 31 December are as follows:

	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Other assets	Total
At 1 January 2019	**-**	**-**	**-**	**-**	**1,562**	**1,562**
Currency translation adjustment	-	-	-	-	264	264
At 31 December 2019/ 1 January 2020	**-**	**-**	**-**	**-**	**1,826**	**1,826**
Currency translation adjustment	-	-	-	-	(297)	(297)
At 31 December 2020	**-**	**-**	**-**	**-**	**1,529**	**1,529**

Included in other assets classified as held for sale as at 31 December 2020, is a land plot with a carrying amount of USD 1,529 thousand (2019: USD 1,826 thousand), land lease rights for which were intended to be amended by one of the Group's subsidiaries, Comfort Market Luks LLC, in respect of allocation of part of such land plot to a third party in accordance with an investment agreement concluded between the parties. Based on this investment agreement, Comfort Market Luks LLC acted as an intermediary in construction of a hypermarket with the total estimated area of 11,769 square meters and a parking lot with a total estimated area of 20,650 square meters.

As at 31 December 2020 and 2019, the construction of the hypermarket and a parking lot is finalised and, except for the lease rights for the abovementioned land plot to be allocated to a third party, the owner of the hypermarket, the investment agreement is considered to be fulfilled. Management expects that the lease rights for the land plot under the hypermarket will be transferred to the third party in 2021 subject to completion of formal legal procedures. As at 31 December 2020, advance payment received under this agreement amounts to USD 1,627 thousand (2019: USD 1,942 thousand) and will be settled upon transfer of the lease rights for the land plot.

9 Cash and cash equivalents

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

(in thousands of USD)	2020	2019
Bank balances	12,062	4,126
Call deposits	-	2,779
	12,062	6,905

As at 31 December 2020, in connection with loans and borrowings, the Group pledged as security bank balances with a carrying value of USD 212 thousand (2019: USD 1,135 thousand) (Note 21(a)). However, the use of this balance is not restricted.

As at 31 December 2020, cash and cash equivalents placed with two bank institutions amounted to USD 9,800 thousand, or 81% of the total balance

of cash and cash equivalents (2019: USD 5,114 thousand, or 74%). In accordance with Moody's rating, one of these banks is rated Baa3 and another is B3 as at 31 December 2020 (2019: Caa1 and non-rated, respectively).

10 Share capital

Share capital as at 31 December is as follows:

	2020 Number of shares	2020 US dollars	2020 EUR	2019 Number of shares	2019 US dollars	2019 EUR
Issued and fully paid						
At 1 January and 31 December	103,270,637	66,750	51,635	103,270,637	66,750	51,635
Authorised						
At 1 January and 31 December	106,000,000	68,564	53,000	106,000,000	68,564	53,000
Par value, EUR	-	-	0.0005	-	-	0.0005

All shares rank equally with regard to the Parent Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Parent Company.

During the years ended 31 December 2020 and 2019, the Parent Company did not declare any dividends.

11 Earnings per share

The calculation of basic earnings per share for the years ended 31 December 2020 and 2019 was based on the profit for the years ended 31 December 2020 and 2019 attributable to ordinary shareholders of USD 20,180 thousand and USD 8,025 thousand, respectively, and weighted average number of ordinary shares outstanding as at 31 December 2020 and 2019 of 103,270,637.

The Group has no potential dilutive ordinary shares.

12 Loans and borrowings

This Note provides information about the contractual terms of loans.
For more information about the Group's exposure to interest rate and foreign currency risk, refer to Note 20.

(in thousands of USD)	2020	2019
Non-current		
Secured bank loans	**27,293**	26,768
Unsecured loans from related parties	**21,420**	-
Unsecured loans from third parties	**24,745**	186
	73,458	26,954
Current		
Secured bank loans (current portion of long-term bank loans)	**19,631**	16,626
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**11,630**	35,161
Unsecured loans from third parties	**1,099**	23,658
	32,360	75,445
	105,818	102,399

Terms and debt repayment schedule

As at 31 December 2020, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	USD	7.50%-11.25%	2023-2025	38,656
Secured bank loans	UAH	13.25%	2025	8,268
				46,924
Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.5%	2021-2023	32,788
Unsecured loans from related parties	USD	10.0%	on demand	212
Unsecured loans from related parties	UAH/USD	0-3.2%	2019	50
				33,050
Unsecured loans from third parties				
Unsecured loan from third party	USD	10.50%	2023	25,645
Unsecured loan from third party	USD	3.0%	2022	199
				25,844
				105,818

As at 31 December 2019, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	USD	10.50%-11.25%	2020-2024	31,589
Secured bank loans	UAH	18.00%-19.75%	2020-2023	11,805
				43,394
Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.0%-12.0%	2019-2020	35,102
Unsecured loans from related parties	UAH/USD	0-3.2%	2019	59
				35,161
Unsecured loans from third parties				
Unsecured loan from third party	USD	10.55%	2020	23,658
Unsecured loan from third party	USD	3.2%	2022	186
				23,844
				102,399

For a description of assets pledged by the Group in connection with loans and borrowings refer to Note 21(a).

(a) Joint Stock Company "Taskombank"

During the year ended 31 December 2020, the Group signed a number of amendments to the loan agreement with carrying value as at 31 December 2020 equal to USD 10,883 thousand with Joint Stock Company "Taskombank" stipulating an decrease in the annual interest rate from 10.75% to 9.75% and changes to the repayment schedule of the loan principal.

During the year ended 31 December 2020, the Group signed amendment to the loan agreement with carrying value as at 31 December 2020 equal to USD 13,214 thousand with Joint Stock Company "Taskombank" stipulating changes to the repayment schedule of the loan principal. The loan is syndicated with PJSC "Universal Bank".

(b) Joint Stock Company "State Savings Bank of Ukraine"

During the year ended 31 December 2020, the Group received tranches on the existing loan facility with a bank in the amount of USD 9,000 thousand to finance the construction of the Lukianivka shopping and entertainment centre. The tranche facility expires on 25 July 2026 and bears interest per initial agreement of 7.50% per annum. During the year ended 31 December 2020, the Group signed a number of amendments to the loan agreement stipulating a decrease in the annual interest rate of the received tranche by 3.0%.

In accordance with the loan agreement, the lender may require early repayment of the loan facility amount. Respectively, the total loan amount of USD 14,578 thousand is presented within the current liabilities as at 31 December 2020.

(c) Joint Stock Company "Raiffeisen Bank Aval"

During the year ended 31 December 2020, the Group refinance existing loan facilities with a bank with a new loan agreement. The loan is payable on 31 December 2025 and bears interest of 13.25% per annum. The facility is secured with the same collateral as for the previous loans provided by the bank, no additional assets were pledged.

(d) Unsecured loan from third party

During the year ended 31 December 2020, the Group signed amendment to the loan agreement with a third party, with carrying value as at 31 December 2020 amounting to USD 25,645 thousand stipulating capitalization of accrued interest as at 1 August 2020, prolongation of maturity date till 1 August 2023 and decrease in the annual interest rate of the received facility from 10.55% to 10.5%.

12 Loans and borrowings (continued)

(e) Unsecured loan from related party

During the year ended 31 December 2020, the Group signed amendments to two loans with Retail Real Estate OU, the parent company, with carrying values as at 31 December 2020 amounting to USD 3,128 thousand and USD 28,293 thousand stipulating capitalization of accrued interest as at 1 August 2020, prolongation of maturity date till 1 August 2021 and 1 August 2023 and capitalization or repayment of accrued interest annually, respectively, and decrease of interest rate from 12.0% to 10.5% for the loan amounting to USD 28,293 thousand.

Reconciliation of movements of liabilities to cash flows arising from financing activities

Movements of liabilities for the year ended 31 December 2020 are as follows:

(in thousands of USD)	Loans and borrowings	Total
Balance at 1 January 2020	**102,399**	**102,399**
Proceeds from borrowings	**18,232**	**18,232**
Repayment of borrowings	**(15,094)**	**(15,094)**
The effect of changes in foreign exchange rates	**(1,872)**	**(1,872)**
Interest expense	**10,098**	**10,098**
Interest paid	**(7,945)**	**(7,945)**
Balance at 31 December 2020	**105,818**	**105,818**

Movements of liabilities for the year ended 31 December 2019 are as follows:

(in thousands of USD)	Loans and borrowings	Finance lease liabilities	Total
Balance at 1 January 2019	96,507	7,277	103,784
Proceeds from borrowings	27,839		27,839
Repayment of borrowings	(28,245)	-	(28,245)
The effect of changes in foreign exchange rates	2,401	-	2,401
Derecognition of financial lease liability (Note 4(m))	-	(7,277)	(7,277)
Additions to finance leases	-	-	-
Interest expense (Note 18)	8,834	-	8,834
Interest paid	(4,937)	-	(4,937)
Balance at 31 December 2019	102,399	-	102,399

13 Trade and other payables

Trade and other payables as at 31 December are as follows:

(in thousands of USD)	2020	2019
Non-current liabilities		
Payables for construction works	**15,330**	14,105
	15,330	14,105
Current liabilities		
Payables for construction works	-	2,680
Trade and other payables to related parties	**218**	1,039
Trade and other payables to third parties	**3,494**	2,741
	3,712	6,460
	19,042	20,565

As at 31 December 2020, included in payables for construction works are accrued financial charges under construction agreement with third parties amounting to USD 15,323 thousand (31 December 2019: USD 14,096 thousand). In 2017-2018, the constructors claimed the Group to reimburse finance and foreign currency losses incurred by constructors due to untimely fulfillment of obligations by the Group companies under construction agreements, as well as fee for restructuring of accounts payable. As a result of negotiation accomplished on 12 July 2017, interest rate of 10.00% per annum was imposed on charges payable, they were converted to USD and maturity was postponed to 31 December 2025.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

14 Advances received

Advances from customers as at 31 December are as follows:

(in thousands of USD)	2020	2019
Advances received under investment agreement (refer to Note 8)	**1,627**	1,942
Advances from third parties	**3,852**	4,697
Advances from related parties	**24**	29
	5,503	6,668
	5,503	6,668

15 Other liabilities

Other liabilities as at 31 December are as follows:

(in thousands of USD)	2020	2019
Non-current liabilities		
Deferred consideration	**31,305**	-
Other long-term liabilities	**157**	143
	31,462	143
Current liabilities		
Deferred consideration	**1,378**	30,167
Tax provision	**3,093**	2,445
	4,471	32,612
	35,933	32,755

Deferred consideration is represented with amount payable to a third party that also granted the Group unsecured loans (Note 12(d)), in respect of the acquisition of Wayfield Limited and its subsidiary Budkhol LLC, and includes principal and accrued interest on deferred consideration in amount of USD 31,305 thousand and USD 1,378 thousand, respectively (2019: USD 20,000 thousand presented as current liability and USD 10,167 thousand presented as current liability, respectively).

During the year ended 31 December 2020, the Group signed amendment to the agreement stipulating prolongation of maturity date till 1 August 2023 and increase in the annual interest rate from 9.75% to 10.5% and capitalization or repayment of accrued interest annually.

16 Revenue

The revenue is represented as follows:

(in thousands of USD)	2020	2019
Rental income:		
Fixed lease payments	**22,652**	26,968
Variable lease payments	**2,555**	3,398
	25,207	30,366
Revenue from contract with customers:		
Common parts exploitation services	**6,822**	6,592
Marketing services	**274**	294
	7,096	6,886
	32,303	37,252

The major amount of the Group's revenue is represented by rental income from investment properties that falls within the requirements of IFRS 16 Leases and amounts to USD 25,207 thousand for the year ended 31 December 2020 (2019: USD 30,366 thousand).

During the year ended 31 December 2020, 13% of the Group's rental income was earned from two tenants (8% and 5%, respectively) (2019: 8% and 4%, respectively).

The Group rents out premises in the shopping centres to tenants in accordance with lease agreements predominantly concluded for a period of up to 70 months, save for the hypermarkets and large network retails chains, which enter into long term lease agreements. In accordance with lease agreements, rental rates are usually established in USD and are settled in functional currency using the exchange rates as applicable. However, taking into account the current market conditions, the Group provides temporary discounts to some of its tenants, in arriving to the rent payment for the particular month.

Management believes that these measures will allow the Group to maintain occupancy rates in the shopping centres at a relatively high level during the current deteriorated period in Ukrainian business environment. Management continued to turn gradually the UAH based lease agreements into USD based lease agreements.

The Group's lease agreements with tenants usually include non-cancellation clause for the period from 2 to 70 months. The Group believes that execution of the option to prolong the lease period upon expiration of non-cancellable period on the terms different to those agreed during the non-cancellable period, is not substantiated. Accordingly, upon calculation of rental income for the period the Group does not take into account rent payments, which are prescribed by the agreements upon expiration of the period during which the agreement cannot be cancelled.

All other types of services are derived from contracts with customers and fall within the scope of IFRS 15.

There are no contract assets and contract liabilities that arise on the above stated service lines.

Direct operating expenses arising from investment property that generated rental income during the years ended 31 December are as follows:

(in thousands of USD)	2020	2019
Land rent, land and other property taxes (Note 17)	**1,359**	1,219
Security services (Note 17)	**698**	663
Repair, maintenance and building services	**528**	604
Advertising (Note 17)	**505**	716
Communal public services	**269**	379
	3,359	3,581

No direct operating expenses arising from investment property that did not generate rental income during 2020 and 2019 occurred.

17 Operating expenses

Operating expenses for the years ended 31 December are as follows:

(in thousands of USD)	2020	2019
Management, consulting and legal services	**2,615**	2,189
Land rent, land and property taxes (Note 16)	**1,359**	1,219
Security services (Note 16)	**698**	663
Tax provision	**648**	2,445
Advertising (Note 16)	**505**	716
Office expenses and communication services	**476**	564
Administrative expenses	**177**	106
Independent auditors' remuneration	**149**	323
Tax services charged by independent auditors	**62**	25
Impairment loss on trade receivables and contract assets	**22**	-
Other assurance service charged by independent auditors	**3**	40
Other	**698**	704
	7,412	8,994

Notes to the Consolidated Financial Statements continued

18 Finance income and finance costs

Finance income and finance costs for the years ended 31 December are as follows:

(in thousands of USD)	2020	2019
Foreign exchange gain	-	8,473
Interest income	143	470
Finance income	143	8,943
Interest expense	(9,697)	(10,229)
Interest expense on deferred consideration (note 15)	(2,516)	(1,950)
Foreign exchange loss	(9,674)	-
Other finance costs	-	(140)
Finance costs	(21,887)	(12,319)
Net finance cost	(21,744)	(3,376)

19 Income tax expense

(a) Income tax expense

Income taxes for the years ended 31 December are as follows:

(in thousands of USD)	2020	2019
Current tax expense	874	1,373
Deferred tax (benefit)/expense	3,728	(541)
Total income tax expense	4,602	832

Corporate profit tax rate for the entities operating under the laws of Ukraine is fixed at 18%.

The applicable tax rate for the entities operating under the laws of the Russian Federation is 20%.

The applicable tax rates are 12.5% for Cyprus companies, 20% for Estonian companies, and nil tax for companies incorporated in the Isle of Man and British Virgin Islands.

(b) Reconciliation of effective tax rate

The difference between the total expected income tax expense for the years ended 31 December computed by applying the Ukrainian statutory income tax rate to profit or loss before tax and the reported tax expense is as follows:

(in thousands of USD)	2020	%	2019	%
Profit before tax	24,782	100%	8,857	100%
Income tax expense at statutory rate in Ukraine	4,461	18%	1,594	18%
Effect of different tax rates on taxable profit in other jurisdictions	(1,563)	(6%)	(2,531)	(29%)
Non-deductible expenses/non-taxable income	(2,400)	(10%)	7,787	88%
Change in unrecognised deferred tax assets	4,104	17%	(5,198)	(59%)
Change in recognised deductible temporary differences	-	-	(820)	(9%)
Effective income tax expense	4,602	19%	832	9%

(c) Recognised deferred tax assets and liabilities

As at 31 December deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
(in thousands of USD)	**2020**	2019	**2020**	2019	**2020**	2019
Investment property	**286**	45	**(31,987)**	(32,490)	**(31,701)**	(32,445)
Property and equipment	**3**	-	**-**	(8)	**3**	(8)
Trade and other receivables	**26**	104	**(12)**	(142)	**14**	(38)
Assets classified as held for sale	**-**	-	**(275)**	(329)	**(275)**	(329)
Trade and other payables	**12**	-	**(17)**	-	**(5)**	-
Short-term borrowings	**2**	26	**(2)**	(23)	**-**	3
Other long-term payables	**27**	11	**-**	(132)	**27**	(121)
Tax loss carry-forwards	**26,141**	22,245	**-**	-	**26,141**	22,245
Deferred tax assets (liabilities)	**26,497**	22,431	**(32,293)**	(33,124)	**(5,796)**	(10,693)
Offset of deferred tax assets and liabilities	**(26,497)**	(22,431)	**26,497**	22,431	**-**	-
Net deferred tax liabilities	**-**	-	**(5,796)**	(10,693)	**(5,796)**	(10,693)

(d) Movements in recognised deferred tax assets and liabilities

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2020 are as follows:

(in thousands of USD)	Balance as at 1 January 2020 asset (liability)	Change in tax losses carried forward	Recognised in profit or loss	Recognised in OCI	Foreign currency translation adjustment	Balance as at 31 December 2020 asset (liability)
Investment property	(32,445)	-	**(4,738)**	**-**	**5,842**	**(31,701)**
Property and equipment	(8)	-	**10**	**-**	**1**	**3**
Trade and other receivables	(38)	-	**48**	**-**	**4**	**14**
Assets classified as held for sale	(329)	-	**1**	**-**	**53**	**(275)**
Trade and other payables	-	-	**6**	**-**	**-**	**6**
Short-term borrowings	3	-	**(3)**	**-**	**-**	**-**
Other long-term payables	(121)	-	**135**	**-**	**13**	**27**
Tax loss carry-forwards	22,245	-	**813**	**6,784**	**(3,991)**	**26,141**
Deferred tax assets (liabilities)	(10,693)	-	**(3,728)**	**6,784**	**1,562**	**(5,796)**

19 Income tax expense (continued)

(d) Movements in recognised deferred tax assets and liabilities continued

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2019 are as follows:

(in thousands of USD)	Balance as at 1 January 2020 asset (liability)	Change in tax losses carried forward	Recognised in profit or loss	Recognised in OCI	Foreign currency translation adjustment	Balance as at 31 December 2020 asset (liability)
Investment property	(30,272)	-	2,446	-	(4,619)	(32,445)
Property and equipment	(5)	-	(2)	-	(1)	(8)
Trade and other receivables	61	-	(100)	-	1	(38)
Assets classified as held for sale	(281)	-	-	-	(48)	(329)
Trade and other payables	509	-	(545)	-	36	-
Short-term borrowings	8	-	(6)	-	1	3
Other long-term payables	7	-	(118)	-	(10)	(121)
Tax loss carry-forwards	23,056	820	(1,954)	(3,149)	3,472	22,245
Deferred tax assets (liabilities)	(6,917)	820	(279)	(3,149)	(1,168)	(10,693)

(e) Unrecognised deferred tax assets

Deferred tax assets as at 31 December 2020 have not been recognised in respect of the following items:

(in thousands of USD)	**Balance as at 1 January 2020**	**Change in tax-loss carry forwards**	**Utilisation of previously unrecognised temporary differences**	**Foreign currency translation adjustment**	**Balance as at 31 December 2020**
Tax loss carry-forwards	**8,925**	**4,104**	**-**	**(1,665)**	**11,364**
	8,925	**4,104**	**-**	**(1,665)**	**11,364**

Deferred tax assets as at 31 December 2019 have not been recognised in respect of the following items:

(in thousands of USD)	Balance as at 1 January 2020	Change in tax-loss carry forwards	Utilisation of previously unrecognised temporary differences	Foreign currency translation adjustment	Balance as at 31 December 2020
Tax loss carry-forwards	11,850	1,645	(6,843)	2,273	8,925
	11,850	1,645	(6,843)	2,273	8,925

During the year ended 31 December 2019 certain Group entities submitted amended CPT declarations that led to increase in tax-loss carry forwards with tax effect of USD 2,465 thousand.

In accordance with existing Ukrainian legislation tax losses can be carried forward and utilised indefinitely. Deferred tax assets have not been recognised in respect of those items since it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

20 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

(b) Risk management framework
The management has overall responsibility for the establishment and oversight of the risk management framework.

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

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(c) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial assets at amortised cost.

(i) Trade and other receivables
The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customers, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk.

Management has established a policy under which each customer is analysed either individually or on collective basis regarding expected credit losses as at reporting date.

There are no balances with customers, which are to be assessed individually as at 31 December 2020 (2019: nil).

For other individually insignificant debtors the Group uses an allowance matrix to measure expected credit loss (ECL). Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll-rates are calculated based on the Group's historical losses.

The macro factors have insignificant impact on the historical loss rates due to short-term nature of the Group's receivables.
The Group does not require collateral in respect of trade and other receivables.

As at 31 December 2020, the following table provides information about the exposure to credit risk and ECLs for trade and other receivables:

(in thousands of USD)	Weighted-average loss rate	Gross carrying amounts	Loss allowance (Note 7)	Credit impaired
Current (not past due)	**0%**	**1,132**	**-**	**NO**
1-30 days due	**0%**	**-**	**-**	**NO**
31-60 days due	**1%**	**229**	**-**	**NO**
61-90 days due	**0%**	**10**	**-**	**NO**
More than 90 days past due	**99%**	**8,622**	**(8,320)**	**YES**
Total		**9,993**	**(8,320)**	

As at 31 December 2019, the following table provides information about the exposure to credit risk and ECLs for trade receivables:

(in thousands of USD)	Weighted-average loss rate	Gross carrying amounts	Loss allowance (Note 7)	Credit impaired
Current (not past due)	0%	1,613	-	NO
1-30 days due	0%	1	-	NO
31-60 days due	0%	6	-	NO
61-90 days due	0%	1	-	NO
More than 90 days past due	100%	8,253	(8,240)	YES
Total		9,874	(8,240)	

20 Financial risk management (continued)

(c) Credit risk continued

(i) Trade and other receivables continued

Allowance for impairment of financial assets is as follows:

(in thousands of USD)	2020	2019
Allowance for impairment of trade and other receivables (Note 7)	**8,320**	8,240
Allowance for impairment of loans receivable (Note 6)	**11,208**	11,218
Allowance for impairment of financial assets at FVOCI (Note 21(d))	**20,727**	20,727
	40,255	40,185

The movement in the allowance for impairment in respect of financial assets during the years ended 31 December was as follows:

(in thousands of USD)	2020	2019
Balance at 1 January	**40,185**	39,896
Impairment loss recognised	**-**	268
Bad debt write-off/recovery	**80**	-
Foreign currency translation differences	**(10)**	21
Balance at 31 December	**40,255**	40,185

(ii) Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures, due to which no impairment allowance has been recognised by the Group. The Group considers that its cash and cash equivalents have low credit risk based on its assessment of the reliability of the banks where cash and cash equivalents are held.

(d) Capital management

Management defines capital as total equity attributable to equity holders of the parent. The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. The Group strives to achieve this with efficient cash management, and constant monitoring of the Group's investment projects. With these measures the Group aims for steady profits growth. There were no changes in the Group's approach to capital management during the year.

(i) Guarantees

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of related parties to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(ii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of VAT receivable, prepayments made and other assets amounting in total to USD 5,185 thousand as at 31 December 2020 (2019: USD 4,439 thousand).

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2020:

			Contractual cash flows				
(in thousands of USD)	Carrying amount	Total	2 months or less	2 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans	46,924	55,868	2,091	21,260	8,856	23,661	-
Unsecured loans from related parties	33,050	37,100	294	11,824	2,249	22,733	-
Unsecured loans from third parties	25,844	35,102	-	2,596	2,577	29,929	-
Trade and other payables	19,042	25,269	3,719	-	-	-	21,550
Other liabilities	35,933	44,416	-	6,380	3,444	34,592	-
	160,801	197,755	6,104	42,060	17,126	110,915	21,550

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2019:

			Contractual cash flows				
(in thousands of USD)	Carrying amount	Total	2 months or less	2 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans	43,394	54,898	5,827	14,861	7,754	26,456	-
Unsecured loans from related parties	35,161	36,126	7,998	28,128	-	-	-
Unsecured loans from third parties	23,844	23,986	23,743	-	-	243	-
Trade and other payables	20,565	27,999	6,449	-	-		21,550
Other liabilities	32,755	33,727	-	33,584	143	-	-
	155,719	176,736	44,017	76,573	7,897	26,699	21,550

(f) Market risk

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

(i) Currency risk

Group entities operating under the laws of Ukraine

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

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in USD which does not always match the cash flows generated by the underlying operation of the Group, primarily executed in UAH.

20 Financial risk management (continued)

(f) Market risk continued

(i) Currency risk continued

Exposure to currency risk

The Group's exposure to foreign currency risk as at 31 December was as follows based on notional amounts:

	2020		2019	
(in thousands of USD)	USD	EUR	USD	EUR
Cash and cash equivalents	3,879	-	-	2,454
Secured bank loans	(38,656)	-	(31,589)	-
Unsecured loans from related parties	(244)	-	(229)	-
Trade and other payables	-	(407)	-	(558)
Net (short)/long position	(35,012)	(407)	(31,818)	1,896

Sensitivity analysis

A 10 percent weakening of the Ukrainian hryvnia against the following currencies as at 31 December would have decreased net profit or loss and decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2020		2019	
(in thousands of USD)	Profit or loss	Equity	Profit or loss	Equity
USD	(2,872)	(2,872)	(2,609)	(2,609)
EUR	(33)	(33)	155	155

A 10 percent strengthening of the Ukrainian hryvnia against these currencies at 31 December would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

Intra-group borrowings

The Group entities located in Ukraine are exposed to currency risk on intra-group borrowings, eliminated in these consolidated financial statements, that are denominated in a currency other than the Ukrainian hryvnia (UAH), primarily the U.S. Dollar (USD). These borrowings are treated as part of net investment in a foreign operation with foreign exchange gains and losses recognised in other comprehensive income and presented in the translation reserve in equity.

The exposure to foreign currency risk on these borrowings is USD 322,247 thousand and USD 317,002 thousand as at 31 December 2020 and 2019, respectively. The effect of translation of these loans payable by Ukrainian subsidiaries resulted in a foreign exchange loss of USD 49,834 thousand, including tax effect, recognised directly in other comprehensive income for the year ended 31 December 2020 (2019: foreign exchange gain of USD 46,014 thousand).

A 10 percent weakening of the Ukrainian hryvnia against the USD would have increase other comprehensive loss for the year ended 31 December 2020 and equity as at 31 December 2020 by USD 26,424 thousand (2019: USD 25,994 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

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

Group entities operating under the laws of the Russian Federation

The Group entities, located in the Republic of Crimea and the Russian Federation, are exposed to currency risk on purchases and borrowings that are denominated in a currency other than the Russian Rouble (RUB), primarily the Ukrainian hryvnia (UAH) and U.S. Dollar (USD).

Exposure to currency risk
The exposure to foreign currency risk as at 31 December was as follows based on notional amounts:

	2020		2019	
(in thousands of USD)	USD	UAH	USD	UAH
Trade and other payables	(15,323)	(410)	(14,096)	-
Net short position	(15,323)	(410)	(14,096)	-

Sensitivity analysis
A 10 percent weakening of the Russian Rouble against the following currencies as at 31 December would have increased net profit or loss and increased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2020		2019	
(in thousands of USD)	Profit or loss	Equity	Profit or loss	Equity
UAH	(33)	(33)	-	-
USD	(1,226)	(1,226)	(1,128)	(1,128)

A 10 percent strengthening of the Russian Rouble against these currencies at 31 December would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

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

Refer to Notes 12, 13 and 15 for information about maturity dates and effective interest rates of fixed rate and variable rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

Profile
The interest rate profile of the Group's interest-bearing financial instruments as at 31 December was as follows:

(in thousands of USD)	2020	2019
Fixed rate instruments		
Loans and borrowings	105,818	102,399
Other liabilities	32,683	30,167
Payables for construction works	15,330	14,096
	153,831	146,662
Variable rate instruments		
Loans and borrowings	-	-
	-	-

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or fair value through other comprehensive income. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

20 Financial risk management (continued)

(f) Market risk continued

(iii) Fair values

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

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

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	2020		2019	
(in thousands of USD)	**Carrying amount**	**Fair value Level 2**	Carrying amount	Fair value Level 2
Financial liabilities not measured at fair value				
Non –current				
Secured bank loans	**27,293**	**30,804**	26,768	29,120
Unsecured loans from related parties	**21,420**	**20,049**	-	-
Unsecured loans from third parties	**24,745**	**24,791**	186	199
Payables for construction works	**15,330**	**18,082**	14,105	15,404
Deferred consideration	**31,305**	**31,376**	-	-
Other long-term liabilities	**157**	**157**	-	-
	120,250	**125,259**	41,059	44,723
Current				
Secured bank loans (current portion of long-term bank loans)				
Unsecured loans from related parties (including current portion of long-term loans from related parties)				
Unsecured loans from third parties	**1,099**	**1,141**	23,658	23,658
Deferred consideration	**1,369**	**1,381**	30,167	30,395
	33,729	**36,819**	105,612	106,495
	153,979	**162,079**	146,671	151,218

Management believes that for all other financial assets and liabilities, not included in the table above, the carrying value approximates the fair value as at 31 December 2020 and 2019. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date. The estimated fair value is categorised within Level 2 of the fair value hierarchy.

21 Commitments and contingencies

(a) Pledged assets

As at 31 December, in connection with loans and borrowings, the Group pledged the following assets:

(in thousands of USD)	2020	2019
Investment property (Note 5(a))	**160,500**	171,150
Bank balances (Note 9)	**212**	1,135
	160,712	172,285

As at 31 December 2020 and 31 December 2019, the Group has also pledged the following:

- Rights on future income of Prisma Alfa LLC under all lease agreements for the period of validity of loan agreement between Prisma Alfa LLC with Raiffeisen Bank Aval.
- Investments in the following subsidiaries: PrJSC Ukrpangroup, Comfort Market Luks LLC and PrJSC Livoberezhzhiainvest.

(b) Construction commitments

The Group entered into contracts with third parties to construct two shopping centres in Kyiv and a shopping centre in Odesa for the amount of USD 53,255 thousand as at 31 December 2020 (2019: USD 61,549 thousand).

(c) Operating lease commitments

The Group as lessor

The Group entered into lease agreements on its investment property portfolio that consists of five shopping centres. These non-cancellable lease agreements usually have remaining terms up to one hundred fifty months. All agreements include a clause to enable upward revision of the rent rate on an annual basis according to prevailing market conditions.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

(in thousands of USD)	2020	2019
Less than one year	**5,470**	6,008
Between one and two years	**1,759**	1,730
Between two and three years	**1,345**	1,545
Between three and four years	**862**	1,107
Between four and five years	**801**	751
More than five years	**509**	1,348
	10,746	12,489

(d) Litigations

In the ordinary course of business, the Group is subject to legal actions and complaints.

(i) Legal case in respect of Assofit Holdings Limited

Since November 2010 the Group has been involved in an arbitration dispute with Stockman Interhold S.A. (Stockman), which was the majority shareholder of Assofit Holdings Limited (Assofit), regarding invalidation of the Call Option Agreement dated 25 February 2010. In accordance with this Call Option Agreement, Arricano was granted the option to acquire the shareholding of Stockman being equal to 50.03 per cent in the share capital of Assofit during the period starting from 15 November 2010 up to 15 March 2011. In November 2010, the Company sought to exercise the option granted by the Call Option Agreement, however the buy-out was suspended by legal and arbitration proceedings that were initiated by Stockman in relation to the validity of the termination of the agreement relating to the call option under the Call Option Agreement.

In the seventh award delivered on 5 May 2016, the tribunal of the London Court of International Arbitration found that Stockman is in breach of the Call Option Agreement and has taken "steps deliberately to dissipate and misappropriate Assofit s assets". As a result, the tribunal has ordered Stockman to transfer, or procure the transfer of, the Option Shares to Arricano within 30 days of the award. Upon registration of the transfer, Arricano shall pay to Stockman the Option Price minus damages, which when netted out brings the balance to nil. In the event that Stockman does not transfer, or procure the transfer of the Option Shares, Arricano may elect instead to claim damages in lieu of the share transfer.

21 Commitments and contingencies (continued)

(d) Litigations continued

(i) Legal case in respect of Assofit Holdings Limited continued

In its latest award, being the eighth award, made on 17 August 2016, the tribunal of the London Court of International Arbitration awarded the costs of approximately USD 0.9 million to be paid by Stockman to Arricano. No receivable was recognised in these consolidated financial statements, as recoverability of the related asset was not certain.

In July 2017, the hearing regarding challenges of the fifth, the sixth and the seventh award by Stockman took place. By judgement dated 30 November 2017, the High Court of England and Wales dismissed the claims filed by Stockman challenging the fourth, fifth and seventh awards, and subsequently, on 5 January 2018, dismissed Stockman's application to appeal such judgement.
As at the date that these consolidated financial statements are authorised for issuance, a number of related legal cases are under the consideration of the District Court of Nicosia.

In September 2014, Assofit Holdings Limited transferred the shares of Prisma Beta LLC to Financial and Investment Solutions BV, a company registered in the Netherlands, despite the fact that an Interim Receiver was appointed in Assofit at that period of time with the responsibility for collecting and safeguarding Assofit's assets. Further in September 2014, Joint-Stock Bank Pivdeniy PJSC, Ukraine, which had an outstanding mortgage loan due from Prisma Beta LLC of USD 32,000 thousand, exercised its right to recover the abovementioned loan by means of reposession of ownership rights to the Sky Mall shopping centre which was pledged to secure this loan in September 2014. As at the date that these consolidated financial statements are authorised for issuance, shares of Prisma Beta LLC and ownership rights for the Sky Mall shopping centre remain alienated.

As at 31 December 2020 and 2019, the Group holds 49.97% of nominal voting rights in Assofit without retaining significant influence. In prior years' consolidated financial statements of the Group until 31 December 2013, investment in Assofit was recognised in the statement of financial position as available for-sale financial asset at its carrying amount of USD 20,727 thousand. Due to loss of the legal control over the major operating asset being the Sky Mall shopping centre in September 2014, the investment in Assofit is fully impaired as at 31 December 2020 and 2019.

On 2 July 2018, the Group filed application for the rectification of the register of members of Assofit. By this petition, the Company is asking that the shares of Assofit that are currently registered in the name of Althor shall be registered to the name of Arricano Real Estate plc. By decision dated 30 November 2020, the court dismissed the Group's petition. The Group has already instructed its lawyers to file the appeal.
Management is unaware of any other significant actual, pending or threatened claims against the Group.

(e) Taxation contingencies

(i) Ukraine

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(ii) Republic of Crimea

As a result of the events described in Note 1(b), Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Republic of Crimea. Starting from April 2014, this territory is subject to the transitional provisions of tax rules established by the Russian government to ensure gradual introduction of federal laws into the territory. Although these transitional provisions were thought to put certain relief on the entities registered in the Republic of Crimea, interpretations of these provisions by the tax authorities may be different from the tax payers' view. Effective from 1 January 2015, the Russian government declared that the territory of the Republic of Crimea is subject to general legislation of the Russian Federation.

(iii) Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as concept of beneficial ownership of income, etc. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(iv) Republic of Cyprus

Operations of the Group in Cyprus are mainly limited to provision of intra-group financing, transactions related to Assofit legal case (note 21 (d)(i)) and various management activities. Transactions performed by the Cyprus entities of the Group fall within the jurisdiction of Cyprus tax authorities. The Cyprus tax system can be characterized by numerous taxes, legislation may be applied retrospectively, open to wide interpretation. VAT and income tax declarations are subject to review and investigation by authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the Tax department during the six subsequent calendar years, however under certain circumstances a tax year may remain open longer.

Additionally, a new transfer pricing legislation was enacted in Cyprus from 30 June 2017, which requires entities to conduct intra-group financing transactions on the arm's length principle (a principle under which transactions are performed at market rates, as would have been performed between unrelated entities). The legislation requires taxpayers to prepare and submit to the tax authorities Transfer pricing study documents justifying margins applied to the intra-group financing. The compliance of margins applied to the arms' length principle could be a subject to scrutiny on the basis of unjustified tax benefit concept. Given the fact that the above rule has been in force for a limited period of time, currently, there is no established practices of its application by the tax authorities, and there can be no assurance that the tax authorities' interpretations of the approaches used by the Group may differ, which could result in accrual of fines and penalty interest on the Group.

During the prior years, the Group incurred certain foreign legal expenses, where the VAT accounted for on these expenses was fully claimed. Management believes that the Group properly claimed the VAT accounted for on these expenses, on the basis of the plans to further collect reimbursement of the said expenses, being purely of legal nature, from respective parties in full.
Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions.

22 Related party transactions

(a) Control relationships

The Group's largest shareholders are Retail Real Estate OU, Dragon Capital Investments Limited, Deltamax Group OU, Rauno Teder and J ri P ld. The Group's ultimate controlling party is Estonian individual Rauno Teder.

During the year ended 31 December 2020, Hillar Teder transferred his equity interest in Retail Real Estate OU to Rauno Teder. As a result, Rauno Teder, who already had held 15.92% of the issued voting rights of the Parent Company (7.48% - directly and 8.34% through Deltamax Group OU), acquired interest of 55.04% in the Parent Company (though RRE), thus increasing his aggregate interest to 70.86% of the Parent Company.

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is represented by salary and bonuses of USD 493 thousand (2019: USD 854 thousand).

Director's interests

The direct and indirect interest of the members of the Board in share capital of the Company as at 31 December 2020 and 31 December 2019 and as at the date of signing of these consolidated financial statements is as follows:

Name	Type of interest	Effective shareholding rate
Jüri Põld	Direct shareholding	7.07%

(c) Transactions and balances with entities under common control

Outstanding balances with entities under common control as at 31 December are as follows:

(in thousands of USD)	2020	2019
Short-term loans receivable	**11,208**	11,218
Trade receivables	**1**	18
Other receivables	**8,160**	8,160
Provision for impairment of trade and other receivables and loans receivable from related parties	**(19,366)**	(19,376)
	3	20
Long-term loans and borrowings	**21,420**	-
Short-term loans and borrowings	**11,630**	35,161
Trade and other payables	**218**	1,039
Advances received	**24**	29
Other liabilities	**-**	30,167
	33,292	66,396

None of the balances are secured. The terms and conditions of significant transactions and balances with entities under common control are described in Notes 6, 7, 12, 13, 14 and 15.

During the year ended 31 December 2020, the Group signed amendments to two loan agreements with Retail Real Estate OU, the parent company, with carrying values as at 31 December 2020 amounting to USD 3,128 thousand and USD 28,293 thousand stipulating capitalization of accrued interest as at 1 August 2020, prolongation of maturity date till 1 August 2021 and 1 August 2023 and capitalization or repayment of accrued interest annually, respectively, and decrease of interest rate from 12.0% to 10.5% for the loan amounting to USD 28,293 thousand.

Expenses incurred and income earned from transactions with entities under common control for the years ended 31 December are as follows:

(in thousands of USD)	2020	2019
Interest expense	**(3,041)**	(4,757)

23 Subsequent events

Subsequent to the reporting date, the Group received a new tranche of USD 3,192 thousand according to one of the open credit lines.

Subsequent to reporting date, on 26 March 2021 and on 15 April 2021, the Group signed amendments to the loan agreements with JSC Tascombank stipulating a decrease in the annual interest rates of the received facility by 1.75% and 3.25% respectively.

Independent Auditor's Report

to the members of Arricano Real Estate PLC

Report on the audit of the consolidated financial statements Opinion

We have audited the accompanying consolidated financial statements of Arricano Real Estate PLC (the "Company") and its subsidiaries (the "Group"), which are presented on pages 28-70 and comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSEU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient andappropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) to the financial statements, which indicates that as of 31 December 2020 the Group's current liabilities exceeded its current assets by USD 34,362 thousand. As stated in Note 2(e) in this condition, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as awhole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of investment Property (USD 275,452 thousand)

Refer to note 5 of the consolidated Financial Statements

Key audit matter	How the matter was addressed in our audit
The Group has a significant holding of investment property, which as at 31 December 2020 represented 93% of the total assets. We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and due to the significant element of judgement and estimation associated with determination of the fair value. The Group measures its investment properties at fair value at each reporting date, except for properties under development, which are carried at cost. As disclosed in note 5(b) to the consolidated financial statements, the fair value is based on the valuation performed by an independent external valuer (the "Valuer'), engaged by the Group, using the estimated rental value of property (income approach). A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents. Land parcels are valued based on market prices for similar properties (market approach).	Our audit procedures included among others the following: 1. Assessing, using our own experts, the appropriateness of the valuation methods used by the external valuer and assumptions underlying the determination of the fair value of property, including monthly rental rates, occupancy rates and discount rates. We challenged various key inputs such as rental and occupancy rates, discount rates etc. by teference to available market information, actual rental agreements and other primary documentation. Forecasted income used by the valuer for calculation of the fair value of investment property is reconciled to actual figures of 1* quarter 2021 and compared to budgeted figures for 1% quarter 2021. Deviations were investigated and traced to the primary documents. 2. Evaluating the competence, objectivity and independence of the valuer used by the management. 3. Testing the design and implementation of the Groups controls over the investment property valuation. 4. Performed a sensitivity analysis over the key inputs used for calculation of the fair value of investment property and comparing calculation to the amounts disclosed in the consolidated financial statements.

Other/information

The Board of Directors is responsible fcr the other information. The other information comprises the Management Report and Management Analysis of Corporate Governance but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated financial statement, our responsib8ity is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. With regards to the management report, our report in this regard is presented in the "Repos on other legal requirementa"section.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirement of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary la enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statement, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease the Group's operations, or there is no realistic alternative but to do so.

The Board of Directors and thoce charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or ernx and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financialstatements.

As part of an audit in accardance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, md obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, ntentional omissions, misrep resentations, or the override & internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of Directors.
- Conclude on the appropriateness of the Board of Dkectors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required io draw attention in our auditors' report to the relateddicclosuresin the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However. future events or conditions may cause the Group to cease to continue as a goingconcern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statement represent the underlying transactions and evenb in a manner that achieves a true and fairview.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding. among other matters, the planned scope and timing of lie audit and significant audit findngs, including my significant defiaiencies in internal control lhat we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on other legal requirements

Pursuant to the additional requirement of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, Ge preparabon of which is the responsibi\ity of the Board of Directors, has been prepared in accordance with the requirements of the Companies taw, Cap 113, and the information giveo is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This reporL including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(l)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagemate partner on the audit resulting n this independent auditors' report is John C.Nikolaou.

John C. Nicolaou, CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
11, June 16th 1943 Street
3022 Limassol
Cyprus
Limassol, 21 April 2021

Board of Directors
Urmas Somelar
Frank Lewis
Georgios Komodromos (appointed on 26 February 2020)
Volodymyr Tymochko
Juri Pold

Secretary
Asoted Secretarial Limited

Independent Auditors
KPMG Limited

Nominated Advisor
WH Ireland Limited

Bankers
Raiffeisen Bank International AG, Austria
Raiffeisen Bank Aval JSC, Ukraine
AS SEB Pank, Estonia
JSC State Savings Bank of Ukraine, Ukraine
TASCOMBANK JSC, Ukraine
Bank Saint-Petersburg PJSC , Russian Federation
Bank VTB PJSC, Russian Federation

Registered Office
Flat/Office 1002, 10th floor
Nicolaou Pentadromos Center
Thessalonikis Street
3025 Limassol, Cyprus

Ayias Zonis & Thessalonikis Corner
Nicolaou Pentadromos Centre
6th Floor, Office 602
3026 Limassol
Cyprus
Tel: +357 25 582 535

www.arricano.com