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27 August 2019

**AFI DEVELOPMENT PLC
("AFI DEVELOPMENT" OR "THE COMPANY")**

RESULTS FOR THE SIX MONTHS TO 30 JUNE 2019

Residential presales drive positive momentum

AFI Development, a leading real estate company focused on developing property in Russia, today announces its financial results for the six months ended 30 June 2019.

H1 2019 financial highlights

- **Revenue** for 6 months of 2019 totalled US\$182.0 million, including proceeds from the sale of trading properties:
 - Rental and hotel operating income was US\$63.2 million
 - AFIMALL City contribution for the period was US\$44.2 million
 - Sale of residential properties contributed US\$116.6 million to total revenue
- **Gross profit** for the 6 months period was US\$92.8 million
- **Net profit** for H1 2019 amounted to US\$37.6 million
- **Total gross value of portfolio of properties** stood at US\$1.24 billion
- **Cash, cash equivalents and marketable securities** as of 30 June 2019 amounted to US\$99.1 million

H1 2019 operational highlights

- Following the delivery of Building 6 at **Odinburg** in May 2019, the transfer of apartments to customers continues to schedule. The construction and presale of apartments in Building 3 (Phase I) and Building 3 (Phase II) are also underway. As of 16 August 2019, the number of signed sale contracts stood at 766 (83% of total) in Building 3 (Phase I), 93 (7% of total) in Building 3 (Phase II) and 215 (96% of total) in Building 6
- At **AFI Residence Paveletskaya**, Phase II was delivered in May 2019 and the transfer of apartments to customers is ongoing. The construction and presale of apartments in Phase III continue. As of 16 August 2019, 588 contracts for the sales and pre-sales of apartments and "special units" had been signed (73% of Phase I, Phase II and Phase III combined)

- At **Bolshaya Pochtovaya**, construction and marketing of the project are progressing to plan. As of 16 August 2019, 313 apartments (50% of Phases I, II and III combined) had been pre-sold to customers
- The construction and pre-sale of properties at **Botanic Garden** are ongoing. As of 16 August 2019, 426 apartments (53% of Phase I) had been pre-sold to customers
- In H1 2019, the Company commenced construction works at two grade A office developments in central Moscow: **Tverskaya Plaza Ic** and **Tverskaya Plaza IV**. Both properties are located near the Belorussky railway station in a busy and well developed office district
- At **AFIMALL City**, the net operating income ('NOI') for H1 2019 was US\$34.3 million

Commenting on today's announcement, Eli Avrahampour, Chairman of AFI Development, said:

"I am pleased to report positive momentum in our financial and operational results for H1 2019, owing largely to the recognition of residential presales and the stable performance of the yielding portfolio.

During the period, we leveraged our improving profitability to reduce our external debt and to repay US\$107.2 million to VTB Bank relating to a number of existing loans.

At the same time, we are concerned with pace of sales across our residential portfolio, which remains subject to volatile market conditions, and with general vulnerability of the Russian economy to external and internal challenges."

H1 2019 Results Conference Call:

AFI Development will hold a conference call for analysts and investors to discuss its H1 2019 financial results on Wednesday, 28 August 2019.

Details for the conference call are as follows:

Date: Wednesday, 28 August 2019
 Time: 3pm BST (5pm Moscow)
 Dial-in Tel: International: +44 (0)20 3003 2666 / UK toll free: 0808 109 0700
 Password: AFI Development

To take part in the conference call, please dial in approximately 5 minutes before the start of the event.

Prior to the conference call, the H1 2019 Investor Presentation of AFI Development will be published on the Company website at <http://www.afi-development.com/en/investor-relations/reports-presentations> on 28 August 2019 by 11am BST (1pm Moscow time).

- ends -

For further information, please contact:

AFI Development, +7 495 796 9988

Ilya Kutnov, Corporate Affairs/Investments Director (Responsible for arranging the release of this announcement)

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Sandra Novakov

Lucy Eyles

This announcement contains inside information.

About AFI Development

Established in 2001, AFI Development is one of the leading real estate development companies operating in Russia.

AFI Development is listed on the Main Market of the London Stock Exchange and aims to deliver shareholder value through a commitment to innovation and continuous project development, coupled with the highest standards of design, construction and quality of customer service.

AFI Development focuses on developing and redeveloping high quality commercial and residential real estate assets across Russia, with Moscow being its main market. The Company's existing portfolio comprises commercial projects focused on offices, shopping centres, hotels and mixed-use properties, and residential projects. AFI Development's strategy is to sell the residential properties it develops and to either lease the commercial properties or sell them for a favourable return.

AFI Development is a leading force in urban regeneration, breathing new life into city squares and neighbourhoods and transforming congested and underdeveloped areas into thriving new communities. The Company's long-term, large-scale regeneration and city infrastructure projects establish the necessary groundwork for the successful launch of commercial and residential properties, providing a strong base for the future.

Legal disclaimer

Some of the information in these materials may contain projections or other forward-looking statements regarding future events, the future financial performance of the Company, its intentions, beliefs or current expectations and those of its officers, directors and employees concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and business. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might" or the negative of such terms or other similar expressions. These statements are only predictions and that actual events or results may differ materially. Unless otherwise required by applicable law, regulation or accounting standard, the Company does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Company, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia and market change in the industries the Company operates in, as well as many other risks specifically related to the Company and its operations.

Chairman's statement

We are pleased to report year-on-year growth in both revenue and gross profit in the first six months of 2019. This is owing largely to residential presales recognition that was responsible for approximately 62% of our total revenue, which grew to almost US\$182 million. Meanwhile, the Russian economy remains subject to international sanctions, including the most recent executive order of the U.S. President prohibiting U.S. banks from participating in the issuance of Russian sovereign debt (introduced in August 2019 for a period of 12 months).

As reported in Q1 2019, near completion of several of our residential projects (Odinburg, AFI Residence Paveletskaya, Bolshaya Pochtovaya and Botanic Garden) has allowed us to recognise increased revenue and profit in the first six months of 2019. As a result, our gross profit for the period amounted to US\$92.8 million.

Rental and hotel operating income was broadly unchanged compared to H1 2018 at US\$63.2 million.

During H1 2019, we significantly reduced our external debt to VTB Bank PJSC. In May 2019, we repaid US\$38.9 million of the Plaza Spa Kislovodsk and Plaza Spa Zhelznovodsk loans, while in June 2019 we repaid US\$68.4 million of the AFIMALL City loan. As of 30 June 2019, our total outstanding bank loans amounted to US\$400.4 million.

During H1 2019 we also commenced construction works at two of our grade A office projects in the Tverskaya Zastava Area in Moscow: Tverskaya Plaza Ic and Tverskaya Plaza IV. The construction of both properties is being funded by equity.

While our current financial results reflect strong residential sales, volatile market conditions may affect our ability to reach our internal sales targets going forward, which, in turn, may influence our ability to secure necessary financing for our projects.

Projects update

AFIMALL City

Occupancy at the end of the second quarter remained unchanged compared to Q1 2019, at 90%. In June 2019, AFI Development partially repaid the euro-denominated part of the AFIMALL City project loan to VTB Bank PJSC, in the amount of EUR 60 million (US\$68.4 million).

Odinburg

At the Odinburg residential development, Building 6 (Phase II) was state commissioned in May 2019 and the delivery of its presold apartments to customers has been ongoing. Construction works remain underway at Building 3 (Phase I) and Building 3 (Phase II). As of 16 August 2019, the number of signed sale contracts stood at 766 (83% of total) in Building 3 (Phase I), 93 (7% of total) in Building 3 (Phase II) and 215 (96% of total) in Building 6.

Following changes in federal and municipal legislation regarding urban planning, the area of the Odinburg project has become subject to the new regime on complex sustainable territory development. The new legislative regime requires a new form of agreement between municipal authorities and a developer – a so called “complex sustainable territory development agreement” (“CSTDA”). To enter into a CSTDA, in January 2019 AFI Development applied for a termination of the original investment agreement to the Moscow Region authorities, which requested that the investment agreement be terminated by a court decision. In Q2 2019, the Arbitration Court of the Moscow region ruled that the current investment agreement does not meet the new legislative requirements and should be terminated. During the court hearing, the Moscow Region authorities supported the Company’s position and did not object to the court decision.

At the same time, AFI Development entered into negotiations with the Moscow region authorities regarding a CSTDA, which would meet the new legislative requirements. The gross sellable area of residential housing (461,000 sqm) and commercial areas (16,400 sqm) that can be constructed at Odinburg, as well other key business terms of the terminated investment agreement and its addenda, will not be adversely affected by the new agreement. The Company expects the CSTDA to be signed in Q1 2020 and believes that the risk of this agreement not being signed is low. In the event the CSTDA is not signed, according to the Company’s preliminary analysis, it may lose the right to build between circa 113,000 and 176,738 sqm of residential gross sellable area at the site of the project.

Currently, all construction works and marketing at Odinburg continue as planned.

AFI Residence Paveletskaya

Following the delivery of Phase II in May 2019, the transfer of apartments to customers has been ongoing. The focus in construction and presale of apartments is now on Phase III of the development. As of 16 August 2019, 588 contracts for sales and pre-sales of both apartments and “special units” had been signed (73% of Phases I, II and III combined).

Bolshaya Pochtovaya

The pre-sales and marketing are ongoing in all three phases of the project. As of 16 August 2019, 313 apartments (50% of Phases I, II and III) had been pre-sold to customers.

Botanic Garden

Construction and pre-sales are also progressing at Botanic Garden. As of 16 August 2019, 426 apartments (53% of Phase I) had been pre-sold to customers.

Tverskaya Plaza Ic and Tverskaya Plaza IV

In Q1 2019, AFI Development launched construction works at its grade A prime office project in central Moscow Tverskaya Plaza Ic. In Q2 2019, construction works were also launched at another grade A office development at Tverskaya Plaza IV. Both projects are located within walking distance from each other. Due to a revival in the office market driven by limited new development in the central areas of Moscow, the Company believes both properties will be in high demand by tenants at the time of their completion.

AFI Development is currently financing construction of both properties with own capital; however, talks with banks regarding potential project finance are underway to ensure additional financing is available if required.

Market overview – general Moscow real estate

Macroeconomic environment

The Russian economy is expected to grow at a moderate rate over the coming years. The Organisation for Economic Co-operation and Development (“OECD”) expects a 2019 GDP growth rate of 1.38% and 2.07% for 2020.

In Q2 2019, the RUR/US\$ exchange rate fluctuated between 62.6 and 65.4 roubles per dollar. The rate at 30 June 2019 was RUR63.08 (vs. RUR64.73 on 31 March 2019).

The Central Bank of Russia (“CBR”) decreased its key lending rate by 25 bps to 7.5% in June and by a further 25 bps to 7.25% in July 2019. Its rationale for the rate cuts included lower than expected economic growth and rising inflation.

Consumer price inflation in June 2019 was 4.7% (annualised), against the CBR target rate of 4.0%. The CBR expects inflation to reach this target in “early 2020”.

(Source: OECD, the Bank of Russia, RBC)

Moscow office market

According to Cushman & Wakefield (“C&W”), new supply in H1 2019 amounted to 120,000 sqm of new space in classes A and B office buildings combined (mostly in Q2), compared to 41,000 sqm delivered in H1 2018. The largest delivered project was the Iskra Park Class A business centre (62,000 sqm of gross leasable area).

The take up in H1 2019 was about 962,000 sqm, a 1% increase year-on-year, with demand driven largely by the banking and IT sectors. Vacancy rates in class A and B have somewhat stabilised. According to C&W, the vacancy rate in Class A office buildings stood at 13.3% at the end of Q2 2019 (vs 14.0% in Q2 2018) and in Class B at 10.5% (vs 10.9% in Q2 2018). The overall vacancy rate for this market segment was 11.2% (vs 11.6% in Q2 2018). The rents in H1 2019 remained stable in dollar terms but experienced slight growth in rouble terms, especially in Class B buildings. Rouble denominated rents continue to prevail. Dollar denominated transactions accounted for 8.5% of all transactions during H1 2019.

(Source: C&W Marketbeat July 2019)

Moscow retail market

One new shopping centre was opened in Moscow in H1 2019 – Salaris in “New Moscow”, with a gross leasable area of 105,000. Development activity in the sector remains at historically low levels.

Just six new brands entered the market in H1 2019. Most of these brands were in the fashion, footwear and cosmetics segments. Retailers and restaurateurs experiment with new formats including food markets, restaurant courts, “dark kitchens”. IKEA has now opened a first “in city” 8,000 sqm unit (about 3 times smaller in size than a regular IKEA).

The vacancy rate across Moscow shopping centres at the end of H1 2019 was 8.2% (C&W).

Turnover rent with a low minimum rent continues to be the most common lease structure. Rouble denominated rents prevail in retail. According to C&W, turnover rent for a gallery retailer is in the range of 12%-15% of sales revenues (3-7% for large anchor tenants).

The most common lease structure continues to include a combination of a low minimum rent coupled with turnover rent, with fixed exchange rates commonly offered to tenants.

(Source: C&W Marketbeat July 2019, CBRE Moscow Retail Market Overview, H1 2019)

Moscow and Moscow Region residential market

Moscow

At the end of H1 2019, the supply to the “Old Moscow” primary residential market (including “apartments”) was about 3.04 million sqm (about 42,585 residential units in 331 projects), a 1.7% decrease compared to the end of 2018 (data by Metrium).

By the end of H1 2019, the weighted average asking price in the newly built business class residential market in Moscow amounted to RUR235,805 per sqm (US\$3,627, US\$/RUB = 65). Compared with the end of Q1 2019, the average prices increased by 2.3% in roubles. In the mass segment, the weighted average asking price was RUR167,820 psqm, an increase of 1.3% compared to the end of Q1 2019 (US\$2,582, US\$/RUB = 65) (data by Metrium).

The Moscow region

At the end of H1 2019, the weighted average price per sqm in the Moscow region was RUR83,100 (US\$1,278, USD/RUB = 65) (data by Azbuka Zhilya).

(Source: Metrium III 2019 Results on the Moscow Residential Market, Azbuka Zhilya online database)

Elias Ebrahimpour (Eli Avrahampour)
Chairman of the Board



AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

AFI DEVELOPMENT PLC

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS ACCORDING TO THE CYPRUS SECURITIES AND EXCHANGE COMMISSION LEGISLATION

In accordance with Article 10, sections (3)(c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (I)/2007, as amended from time to time, we, the members of the Board of Directors and the Company officials responsible for the drafting of the condensed consolidated interim financial statements of AFI Development Plc for the period ended 30 June 2019, confirm to the best of our knowledge that:

- a) the condensed consolidated interim financial statements for the period ended 30 June 2019 which are presented on pages 2 to 29;
- (i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU and according to the requirements of the article 10, section (4) of the Transparency Requirements Law and
- (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Company and the undertakings included in the consolidation as a whole, and
- b) the adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group; and
- c) the interim management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

Members of the Board of Directors

Non-executive independent directors

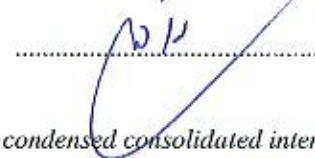
Elias Ebrahimpour – Chairman



Panayiotis Demetriou



Avraham Noach Novogrocki



Responsible for the drafting of the condensed consolidated interim financial statements

Mark Groysman (CEO)



Alexey Miroshnikov (CFO)



26 August 2019

AFI DEVELOPMENT PLC
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

C O N T E N T S

	<u>Page</u>
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated income statement	2
Condensed consolidated statement of comprehensive income	3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of financial position	5
Condensed consolidated statement of cash flows	6-7
Notes to the condensed consolidated interim financial statements	8 - 29



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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of AFI Development PLC as at 30 June 2019, the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ('the condensed consolidated interim financial statements'). The Company's Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Marios G. Gregoriades, CPA
Certified Public Accountant and Register Auditor

For and on behalf of
KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
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26 August 2019

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CONDENSED CONSOLIDATED INCOME STATEMENTFor the period from 1 January 2019 to 30 June 2019

	Note	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Revenue	6	<u>181,952</u>	<u>142,021</u>
Other income		<u>1,197</u>	<u>781</u>
Operating expenses	8	(28,598)	(30,421)
Cost of sales of trading properties	14,15	(59,317)	(50,415)
Administrative expenses	7	(2,034)	(2,576)
Other expenses		<u>(408)</u>	<u>(3,627)</u>
Total expenses		<u>(90,357)</u>	<u>(87,039)</u>
Gross Profit		92,792	55,763
Profit on sale of investment property	11	10,220	-
(Decrease)/increase in fair value of properties	11,12	<u>(30,387)</u>	<u>42,567</u>
Results from operating activities		<u>72,625</u>	<u>98,330</u>
Finance income		13,060	17,365
Finance costs		<u>(20,132)</u>	<u>(19,212)</u>
Net finance (costs)/income	9	<u>(7,072)</u>	<u>(1,847)</u>
Profit before tax		65,553	96,483
Tax expense	10	<u>(27,967)</u>	<u>(19,815)</u>
Profit for the period		<u>37,586</u>	<u>76,668</u>
Profit attributable to:			
Owners of the Company		37,498	76,452
Non-controlling interest		<u>88</u>	<u>216</u>
		<u>37,586</u>	<u>76,668</u>
Earnings per share			
Basic and diluted earnings per share (cent)		<u>3.58</u>	<u>7.30</u>

The notes on pages 8 to 29 form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOMEFor the period from 1 January 2019 to 30 June 2019

	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Profit for the period	<u>37,586</u>	<u>76,668</u>
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	<u>52,694</u>	<u>(41,108)</u>
Other comprehensive income for the period	<u>52,694</u>	<u>(41,108)</u>
Total comprehensive income for the period	<u>90,280</u>	<u>35,560</u>
Total comprehensive income attributable to:		
Owners of the parent	90,232	35,332
Non-controlling interests	<u>48</u>	<u>228</u>
	<u>90,280</u>	<u>35,560</u>

The notes on pages 8 to 29 form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITYFor the period from 1 January 2019 to 30 June 2019

	<u>Attributable to the owners of the Company</u>						<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share Capital</u> US\$ '000	<u>Share Premium</u> US\$ '000	<u>Capital Reserve</u> US\$ '000	<u>Translation Reserve</u> US\$ '000	<u>Retained Earnings</u> US\$ '000	<u>Total</u> US\$ '000	US\$ '000	US\$ '000
Balance at 1 January 2019	<u>1,048</u>	<u>1,763,409</u>	<u>(19,333)</u>	<u>(371,659)</u>	<u>(627,324)</u>	<u>746,141</u>	<u>(63)</u>	<u>746,078</u>
Total comprehensive income for the period								
Profit for the period	-	-	-	-	37,498	37,498	88	37,586
Other comprehensive income	-	-	-	52,734	-	52,734	(40)	52,694
Total comprehensive income for the period	-	-	-	52,734	37,498	90,232	48	90,280
Balance at 30 June 2019	<u>1,048</u>	<u>1,763,409</u>	<u>(19,333)</u>	<u>(318,925)</u>	<u>(589,826)</u>	<u>836,373</u>	<u>(15)</u>	<u>836,358</u>
Balance at 1 January 2018	1,048	1,763,409	(19,333)	(301,287)	(672,719)	771,118	(171)	770,947
Adjustment on initial application of IFRS 15 net of tax	-	-	-	581	13,885	14,466	73	14,539
Adjusted balance at 1 January 2018	<u>1,048</u>	<u>1,763,409</u>	<u>(19,333)</u>	<u>(300,706)</u>	<u>(658,834)</u>	<u>785,584</u>	<u>(98)</u>	<u>785,486</u>
Total comprehensive income for the period								
Profit for the period	-	-	-	-	76,452	76,452	216	76,668
Other comprehensive income	-	-	-	(41,120)	-	(41,120)	12	(41,108)
Total comprehensive income for the period	-	-	-	(41,120)	76,452	35,332	228	35,560
Balance at 30 June 2018	<u>1,048</u>	<u>1,763,409</u>	<u>(19,333)</u>	<u>(341,826)</u>	<u>(582,382)</u>	<u>820,916</u>	<u>130</u>	<u>821,046</u>

The notes on pages 8 to 29 form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2019

	Note	30/6/19 US\$ '000	31/12/18 US\$ '000
Assets			
Investment property	11	705,140	742,590
Investment property under development	12	145,840	141,880
Property, plant and equipment	13	72,975	67,868
Long-term loans receivable		29	2,811
Trade and other receivables	16	1,194	-
Intangible assets		804	230
Other investments	18	<u>5,335</u>	<u>5,244</u>
Non-current assets		<u>931,317</u>	<u>960,623</u>
Trading properties	14	17,171	19,082
Trading properties under construction	15	307,002	278,800
Other investments	18	9,002	11,168
Non-financial assets	21	14,430	-
Inventories		1,216	1,120
Short-term loans receivable		651	578
Trade and other receivables	16	63,458	54,620
Current tax assets		3,756	4,431
Cash and cash equivalents	17	<u>90,117</u>	<u>89,003</u>
Current assets		<u>506,803</u>	<u>458,802</u>
Total assets		<u>1,438,120</u>	<u>1,419,425</u>
Equity			
Share capital		1,048	1,048
Share premium		1,763,409	1,763,409
Translation reserve		(318,925)	(371,659)
Capital reserve		(19,333)	(19,333)
Retained earnings		<u>(589,826)</u>	<u>(627,324)</u>
Equity attributable to owners of the Company	19	836,373	746,141
Non-controlling interests		<u>(15)</u>	<u>(63)</u>
Total equity		<u>836,358</u>	<u>746,078</u>
Liabilities			
Long-term loans and borrowings	20	384,010	487,348
Deferred tax liabilities		71,641	54,772
Deferred income		<u>11,638</u>	<u>11,964</u>
Non-current liabilities		<u>467,289</u>	<u>554,084</u>
Short-term loans and borrowings	20	16,691	16,433
Trade and other payables	21	62,602	37,378
Advances from customers	23	51,974	65,407
Current tax liabilities		<u>3,206</u>	<u>45</u>
Current liabilities		<u>134,473</u>	<u>119,263</u>
Total liabilities		<u>601,762</u>	<u>673,347</u>
Total equity and liabilities		<u>1,438,120</u>	<u>1,419,425</u>

The condensed consolidated interim financial statements were approved by the Board of Directors on 26 August 2019.

The notes on pages 8 to 29 form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the period from 1 January 2019 to 30 June 2019**

	Note	1/1/19- 30/6/19 US\$ '000	1/1/18- 30/6/18 US\$ '000
Cash flows from operating activities			
Profit for the period		37,586	76,668
<i>Adjustments for:</i>			
Depreciation	13	487	463
Net finance costs	9	6,157	947
Decrease/(Increase) in fair value of properties	11,12	30,387	(42,567)
Gain on sale of investment property	11	(10,220)	-
Reversal of trading properties under construction write-down of prior years	15	(5,676)	-
Tax expense	10	<u>27,967</u>	<u>19,815</u>
		86,688	55,326
Change in trade and other receivables		(7,611)	13,314
Change in inventories		18	112
Change in trading properties and trading properties under construction	14,15	47	(9,832)
Change in advances and amounts payable to builders of trading properties under construction	15	13,968	(9,764)
Change in advances from customers	23	(25,244)	12,605
Change in trade and other payables		(1,181)	(24,200)
Change in VAT recoverable		(2,331)	5,871
Change in deferred income		<u>(1,486)</u>	<u>1,533</u>
Cash generated from operating activities		62,868	44,965
Taxes paid		<u>(6,897)</u>	<u>(10,304)</u>
Net cash from operating activities		<u>55,971</u>	<u>34,661</u>
Cash flows from investing activities			
Proceeds from sale of other investments	18	4,180	5,752
Proceeds from sale of investment property	11	68,681	-
Proceeds from sale of property, plant and equipment	13	77	55
Change in advances and amounts payable to builders	16,21	(571)	(235)
Payments for construction of investment property under development	12	(9,261)	(1,320)
Payments for the acquisition/renovation of investment property	11	(227)	(383)
Change in VAT recoverable		(965)	(355)
Acquisition of property, plant and equipment	13	(728)	(639)
Acquisition of other investments	18	-	(21,241)
Acquisition of intangible assets		-	(930)
Proceeds from repayments of loans receivable		2,689	447
Interest received		2,007	561
Payments for loans receivable		<u>-</u>	<u>(2,023)</u>
Net cash from investing activities		<u>65,882</u>	<u>(20,311)</u>

The notes on pages 8 to 29 form an integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)For the period from 1 January 2019 to 30 June 2019

	Note	1/1/19- 30/6/19 US\$ '000	1/1/18- 30/6/18 US\$ '000
Cash flows from financing activities			
Proceeds from loans and borrowings	20	-	542,873
Repayment of loans and borrowings	20	(113,780)	(548,196)
Interest paid		<u>(13,946)</u>	<u>(16,980)</u>
Net cash used in financing activities		<u>(127,726)</u>	<u>(22,303)</u>
Effect of exchange rate fluctuations		<u>6,987</u>	<u>511</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,114</u>	<u>(7,442)</u>
Cash and cash equivalents at 1 January		<u>89,003</u>	<u>95,468</u>
Cash and cash equivalents at 30 June	17	<u>90,117</u>	<u>88,026</u>

The notes on pages 8 to 29 form an integral part of the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

1. INCORPORATION AND PRINCIPAL ACTIVITY

AFI Development PLC (the "Company") was incorporated in Cyprus on 13 February 2001 as a limited liability company under the name Donkamill Holdings Limited. In April 2007 the Company was transformed into public company and changed its name to AFI Development PLC. The address of the Company's registered office is 165 Spyrou Araouzou Street, Lordos Waterfront Building, 5th floor, Flat/office 505, 3035 Limassol, Cyprus. As of 7 September 2016 the Company is a 64.88% subsidiary of Flotonic Limited, a private holding company registered in Cyprus, 100% owned by Mr Lev Leviev. Prior to that, the Company was a 64.88% subsidiary of Africa Israel Investments Ltd ("Africa-Israel"), which is listed in the Tel Aviv Stock Exchange ("TASE"). The remaining shareholding of "A" shares is held by a custodian bank in exchange for the GDRs issued and listed in the London Stock Exchange ("LSE"). On 5 July 2010 the Company issued by way of a bonus issue 523,847,027 "B" shares, which were admitted to a premium listing on the Official List of the UK Listing Authority and to trading on the main market of LSE. On the same date, the ordinary shares of the Company were designated as "A" shares.

These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The principal activity of the Group is real estate investment and development. The principal activity of the Company is the holding of investments in subsidiaries.

2. BASIS OF ACCOUNTING

i. Going concern basis of accounting

The Russian economy was growing at moderate rates in the first half of 2019. The Rouble strengthened versus the dollar towards 30 June of 2019, the Central Bank of Russia has decreased its key lending rate twice, in June and July 2019. At the same time, the Russian economy remains subject to international sanctions, including the most recent executive order of the U.S. President prohibiting U.S. banks from participating in the issuance of Russian sovereign debt (introduced in August 2019 for a period of 12 months). In addition to that, legislation and tax changes affecting real estate sector are effective in 2019.

The Group has recognised a profit after tax of US\$37.6 million for the six months period ended 30 June 2019. Its cash and cash equivalents and marketable securities remained stable at circa US\$99.1 million.

The management estimates that the Group will continue to generate sufficient operating cash flows from yielding properties such as AFI Mall and Hotels and proceeds from sale of residential properties, to secure timely repayment of loans interest and principal.

Management succeeded in reducing debt by US\$ 107.2 million, using proceeds from sale of Investment Properties and other operational inflows, resulting in reduced debt and cost of financing, allowing for easier future repayment of the principal and securing further operational existence for the foreseeable future.

Based on cash flow projection for the following 12 months period, the management reached a reasonable conclusion that the Group is in a position to secure further financing for its projects under construction by sales proceeds and to generate enough cash to cover its working capital requirements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

2. BASIS OF ACCOUNTING (continued)**i. Going concern basis of accounting (continued)**

Considering all the above conditions and assumptions, management concluded that the Group had adequate resources to continue in operational existence for the foreseeable future and adopted the going concern basis in preparing the interim consolidated financial statements.

ii. Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

This is the first set of the Group's financial statements where IFRS 16 'Leases' has been adopted. Changes to significant accounting policies are described in Note 4.

These interim financial statements were authorised for issue by the Company's board of directors on 26 August 2019.

iii. Functional and presentation currency

These consolidated financial statements are presented in United States Dollars which is the Company's functional currency. All financial information presented in United States Dollars has been rounded to the nearest thousands, except when otherwise indicated.

Foreign operations

Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using its functional currency. Where the functional currency of an entity of the Group is other than US Dollars, which is the presentation currency of the Group, then the financial statements of the entity are translated in accordance with IAS 21 "The effects of changes in foreign exchange rates".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 2019**2. BASIS OF ACCOUNTING (continued)**

The table below shows the exchange rates of Russian Roubles, which is the functional currency of the Russian subsidiaries of the Group, to the US Dollar which is the presentation currency of the Group:

Exchange rate	Russian Roubles for US\$1	% change six months	% change year
As of:			
30 June 2019	63.0756	(9.2)	
31 December 2018	69.4706		20.6
30 June 2018	62.7565	9.0	
Average rate during:			
Six-month period ended 30 June 2019	65.3384		10.1
Six-month period ended 30 June 2018	59.3536		2.4

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for:

- 1) New significant judgements and key sources of estimation uncertainty related to the lessee accounting under IFRS 16, which are described in Note 4;
- 2) Change in significant judgement and estimates – during current period the management reassessed that the trading properties under development do not meet the definition of qualifying asset in terms of IAS 23 Borrowing costs. As a result, the significant financial component recognised on advances from customers during the six months period ended 30 June 2019 was recognised in the finance cost in the statement of profit or loss. In the prior year, the effect of significant financial component was capitalised in the trading properties under construction and then transferred to cost of sales in the period it was accrued as costs to fulfil the contract. The effect of this change was recognised prospectively, while the net effect on profit or loss was nil.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the group audit committee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

3. USE OF JUDGEMENTS AND ESTIMATES (continued)**Measurement of fair values (continued)**

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.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. Although this adoption has an effect on the Group's accounting policy for leases as lessee (disclosed below), there was no significant effect on the amounts and balances in the Group's financial statements on 1 January 2019 and 30 June 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

Standards issued but not yet effective

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

The Group has no updates to information provided in the consolidated financial statements as at and for the year ended 31 December 2018 about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 2019**4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)****IFRS 16 Leases**

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, a lessee, recognises right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a. Definition of lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

b. As a lessee

The Group's lease portfolio consists primarily of land lease agreements for construction projects of residential real estate, investment properties, investments properties under development and hotel. As a lessee, the Group previously classified leases as operating leases. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. equipment, accommodation for employees). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset which is presented in investment property is measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 20194. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)**IFRS 16 Leases (continued)****b. As a lessee (continued)**

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. The following assumptions are taken into consideration to determine present value of lease payments:

- Lease payments, that are determined based on the cadastral value of land and can be changed by lessor unilaterally, are considered as variable and are not taken into consideration to determine amount of lease liabilities, and are recognised in profit or loss or capitalised as they are accrued;
- Fees for changing the purpose of land usage are considered as a lease payment and are included into consideration to determine amount of lease liabilities;
- Lease terms are determined based on non-cancellable period according to lease agreement. The Group also considers the right to renew the lease contract if it is reasonable certain that such option will be exercised.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

ii. Transition

Previously the Group classified property leases as operating leases under IAS 17. These include land leases. The leases typically are long term, or have a renewal option at the end of non-cancellable period. The lease payments in all the land leases held by the Group are determined as a percentage of cadastral value of that land.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured as the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 20194. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)**IFRS 16 Leases (continued)****b. As a lessee (continued)**

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c. As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. For leases under which the Group acts as lessor, application of IFRS 16 Leases had no significant impact.

d. Impacts on financial statements**Impacts on transition and for the period**

On transition at 1 January 2019 and at the period-end 30 June 2019, the Group did not recognise lease liabilities for its land leases because all the lease payments under such leases depend on cadastral value of the land, and as such are considered variable payments (as described in i. Significant accounting policies above) and were not included in the lease liability. Subsequently, right-of-use assets were not recognised, except for land leases related to investment property and investment property under development measured at fair value because the land leases form an integral part of these properties.

5. OPERATING SEGMENTS

The Group has 5 reportable segments, as described below, which are the Group's strategic business units. The following summary describes the operation in each of the Group's reportable segments:

- Development Projects – Residential projects: Include construction and selling of residential properties. Commercial projects: Include construction of property for future lease.
- Asset Management: Includes the operation of investment property for lease.
- Hotel Operation: Includes the operation of Hotels.
- Land bank: Includes the investment and holding of property for future development.
- Other: Includes the management services provided for the projects; marketing agent services provided to third party residential properties developers; purchase and sale of the residential properties being developed by third parties.

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

5. OPERATING SEGMENTS (continued)

For the period from 1 January 2019 to 30 June 2019

	Development projects				Asset management		Hotel Operation		Land bank		Other		Total	
	Commercial projects		Residential projects											
	30/6/19	30/6/18	30/6/19	30/6/18	30/6/19	30/6/18	30/6/19	30/6/18	30/6/19	30/6/18	30/6/19	30/6/18	30/6/19	30/6/18
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
External revenues	945	-	116,683	78,759	47,254	45,601	14,854	16,076	79	1,026	1,467	3	181,282	141,465
Inter-segment revenue	34	-	-	1	2,899	2,714	2	3	5	15	4,365	4,386	7,305	7,119
Segment profit/(loss) before tax	(11,256)	-	48,375	27,162	35,067	60,298	6,737	3,649	(4,733)	8,350	(3,468)	(2,780)	70,722	96,679
	30/6/19	31/12/18	30/6/19	31/12/18	30/6/19	31/12/18	30/6/19	31/12/18	30/6/19	31/12/18	30/6/19	31/12/18	30/6/19	31/12/18
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	125,136	118,219	413,953	359,133	697,100	758,359	75,259	69,577	54,358	52,839	17,599	885	1,383,405	1,359,012
Segment liabilities	-	453	100,233	96,405	473,338	520,871	11,942	52,811	653	990	16,389	978	602,555	672,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 20195. OPERATING SEGMENTS (continued)Reconciliation of reportable segment profit or loss

	1/1/19- 30/6/19 US\$ '000	1/1/18- 30/6/18 US\$ '000
Total profit before tax for reportable segments	70,722	96,679
Unallocated amounts:		
Other profit or loss	(5,169)	(196)
Profit before tax	<u>65,553</u>	<u>96,483</u>

Reconciliation of reportable segment revenue

	1/1/19- 30/6/19 US\$ '000	1/1/18- 30/6/18 US\$ '000
Total revenue for reportable segments	181,282	141,465
Unallocated revenue:		
Non-core activity revenue	670	556
Revenue	<u>181,952</u>	<u>142,021</u>

6. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements, except for additional revenue from marketing agent services provided to a third party residential property developer which is included in line non-core activity revenue. The Group's revenue is derived from contracts with customers, except for investment property rental income. Primary geographic market is Russia for all the revenue streams.

	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Revenue from contracts with customers:		
Revenue from sale of trading properties – transferred at a point time	4,284	3,974
Revenue from sale of trading properties – transferred over time	112,347	74,751
Hotel operation income	14,854	16,076
Non-core activity revenue	1,823	556
Construction consulting/management fees	313	3
	<u>133,621</u>	<u>95,360</u>
Other revenue:		
Investment property rental income	48,331	46,661
	<u>181,952</u>	<u>142,021</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 20197. ADMINISTRATIVE EXPENSES

	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Consultancy fees	247	217
Legal fees	383	814
Auditors' remuneration	149	212
Valuation expenses	31	33
Directors' remuneration	101	658
Depreciation	68	54
Insurance	71	76
Provision for Doubtful Debts	223	(292)
Donations	29	5
Other administrative expense	<u>732</u>	<u>799</u>
	<u>2,034</u>	<u>2,576</u>

8. OPERATING EXPENSES

	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Maintenance, utility and security expenses	9,827	10,444
Agency and brokerage fees	640	1,234
Advertising expenses	2,687	3,709
Salaries and wages	7,740	7,542
Consultancy fees	1,296	1,269
Depreciation	419	408
Insurance	206	216
Rent	797	665
Property and other taxes	4,949	4,897
Other operating expenses	<u>37</u>	<u>37</u>
	<u>28,598</u>	<u>30,421</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 20199. FINANCE COST AND FINANCE INCOME

	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Interest income	1,730	756
Net foreign exchange gain	8,665	16,609
Net change in fair value of financial assets	<u>2,665</u>	-
Finance income	<u>13,060</u>	<u>17,365</u>
Interest expense on loans and borrowings	(13,340)	(16,773)
Significant finance component on advances from customers*	(5,874)	-
Net change in fair value of financial assets	-	(1,537)
Other finance costs	<u>(918)</u>	<u>(902)</u>
Finance costs	<u>(20,132)</u>	<u>(19,212)</u>
Net finance cost	<u>(7,072)</u>	<u>(1,847)</u>

* In the current period the Group presented significant financial component from contracts with customers in the amount of US\$5,874 in the finance cost. In prior period significant finance component expense was capitalised in the trading properties under development and was then transferred to cost of sales in the period it was accrued as costs to fulfil the contract. Please refer to note 3 for further explanations.

10. TAX EXPENSE

	For the six months ended 30/6/19 US\$ '000	For the six months ended 30/6/18 US\$ '000
Current tax expense		
Current year	11,055	4,099
Deferred tax expense		
Origination and reversal of temporary differences	<u>16,912</u>	<u>15,716</u>
Total income tax expense	<u>27,967</u>	<u>19,815</u>

11. INVESTMENT PROPERTY

Reconciliation of carrying amount		
	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January	742,590	818,060
Renovations/additional cost	227	793
Disposals	(57,430)	(812)
Fair value adjustment	(15,026)	(3,707)
Effect of movement in foreign exchange rates	34,779	(70,668)
Reclassification to trading properties under construction (note 15)	=	<u>(1,076)</u>
Balance 30 June / 31 December	<u>705,140</u>	<u>742,590</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 2019**11. INVESTMENT PROPERTY (continued)**

The disposal during the first half of 2019 represents the sale of the last remaining office building of the Aquamarine III Business Centre owned by Krown Investments LLC to one of the leading Russian banks for a total consideration of 4.4 billion Russian roubles, equivalent to US\$68.7 million, net of applicable VAT, realising a profit before tax of US\$10,220 thousand.

The increase due to the effect of the foreign exchange fluctuation is a result of the Rouble strengthening compared to the US Dollar by 9% during the first half of 2019. The investment property was revalued by independent appraisers on 30 June 2019. The fair value adjustment above is presented net of the foreign exchange effect.

12. INVESTMENT PROPERTY UNDER DEVELOPMENT

	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January	141,880	163,240
Construction costs	9,261	5,691
Fair value adjustment	(15,361)	(7,787)
Effect of movements in foreign exchange rates	10,060	(19,264)
Balance 30 June / 31 December	<u>145,840</u>	<u>141,880</u>

The increase due to the effect of the foreign exchange fluctuation is a result of the Rouble strengthening compared to the US Dollar by 9% during the first half of 2019. The investment property under development was revalued by independent appraisers on 30 June 2019. The fair value adjustment above is presented net of the foreign exchange effect.

The increase in the construction costs is due to the commencement of active construction of the projects Plaza 1C and Plaza IV.

13. PROPERTY, PLANT AND EQUIPMENT

	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January	67,868	77,633
Additions	728	1,596
Depreciation for the period / year	(487)	(899)
Disposals	(77)	(150)
Effect of movements in foreign exchange rates	4,943	(10,312)
Balance 30 June / 31 December	<u>72,975</u>	<u>67,868</u>

14. TRADING PROPERTIES

	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January	19,082	10,792
Transfer from trading properties under construction (note 15)	-	23,054
Additions	-	56
Cost of trading properties sold	(3,638)	(11,681)
Effect of movements in exchange rates	1,727	(3,139)
Balance 30 June / 31 December	<u>17,171</u>	<u>19,082</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 201914. TRADING PROPERTIES (continued)

Trading properties comprise unsold apartments and parking spaces. The transfer from trading properties under construction during 2018 represents the completion of the construction of a number of apartments, offices and parking places of AFI Residence Paveletskaya project.

The amount recognised to cost of sales of trading properties represents the sale of completed apartments, parking places and commercial premises recognised at a point in time. This amounts represent the amount transferred to the income statements upon transferring of the rights to the buyers according to the signed acts of transfer.

15. TRADING PROPERTIES UNDER CONSTRUCTION

	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January as previously reported	278,800	349,735
Effect of adoption of IFRS 15 as at 1 January 2018*	-	(59,801)
Restated balance at 1 January	278,800	289,934
Transfer from investment property (note 11)	-	1,076
Transfer to trading properties (note 14)	-	(23,054)
Construction costs	64,946	159,186
Finance cost capitalised**	-	9,414
Cost of trading properties sold	(61,355)	(124,804)
Partial reversal of write-down of prior years	5,676	-
Effect of movements in exchange rates	18,935	(32,952)
Balance 30 June / 31 December	<u>307,002</u>	<u>278,800</u>

Trading properties under construction comprise "Odinburg", "AFI Residence Paveletskaya" Phase II and III, "Botanic Garden" and "Bolshaya Pochtovaya" projects which involve primarily the construction of residential properties. The incurred cost to fulfil signed DDU (share participation agreement) contracts as at period/year end were recognised in cost of sales in the income statement.

The properties are measured at the lower of cost and net realisable value. The internal assessment is carried out at each reporting date to test whether the cost shall be written down to net realisable value. No write down loss was recognised in 2018 and at 30 June 2019. On 30 June 2019, the Group has recognised a partial reversal of the prior year's write down of the "Odinburg" project based on the internal assessment of the project's net realisable value. As a result an amount of US\$5,676 was recognised in profit or loss as reduction of cost of sales.

*The Group has initially adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018.

** In the current period the Group presented significant financial component on advances from customers in the amount of US\$5,874 in the finance cost. In prior period significant finance component expense was capitalised in the trading properties under development and was then transferred to cost of sales in the period it was accrued as costs to fulfil the contract. Please refer to note 3 for further explanations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 2019**16. TRADE AND OTHER RECEIVABLES**

	30/6/19 US\$ '000	31/12/18 US\$ '000
Short-term trade and other receivables:		
Advances to builders	32,857	35,919
Amounts receivable from related parties (note 25)	116	184
Trade receivables, net	8,019	5,008
Receivables from contracts with customers	4,360	-
Other receivables	6,322	5,603
VAT recoverable	9,808	5,806
Tax receivables	<u>1,976</u>	<u>2,100</u>
Balance 30 June / 31 December	<u>63,458</u>	<u>54,620</u>
Long-term trade and other receivables:		
Prepayments	<u>1,194</u>	<u>-</u>

Trade receivables net

Trade receivables are presented net of an accumulated provision for doubtful debts and unrecognised revenue of US\$6,729 thousand (31/12/2018: US\$7,686 thousand).

Receivables from contracts with customers represent receivables from customers for residential units sold where the revenue recognised over time is higher than the amount paid by customers, up to the reporting date.

Long-term prepayments represent prepaid amount to a third party developer to construct and transfer to the Group a non-residential building.

17. CASH AND CASH EQUIVALENTS

	30/6/19 US\$ '000	31/12/18 US\$ '000
Cash and cash equivalents consist of:		
Cash at banks	89,807	88,798
Cash in hand	<u>310</u>	<u>205</u>
	<u>90,117</u>	<u>89,003</u>

18. OTHER INVESTMENTS

	30/6/19 US\$ '000	31/12/18 US\$ '000
Equity securities	5,335	5,244
Investment in listed debt securities	-	2,022
Investment in funds	<u>9,002</u>	<u>9,146</u>
	<u>14,337</u>	<u>16,412</u>
Reconciliation from opening to closing balances:		
	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January	16,412	10,515
Coupon interest accrued	6	209
Interest received	(28)	(145)
Additions	-	20,995
Disposal of investment in mutual fund	(2,180)	-
Disposals/redemption of bonds	(2,000)	(12,997)
Fair value gain/(loss)	<u>2,127</u>	<u>(2,165)</u>
Balance 30 June / 31 December	<u>14,337</u>	<u>16,412</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 201918. OTHER INVESTMENTS (continued)

As 30 June 2019, the Group holds portfolio of investments comprising investment in mutual funds and private equity securities, which are classified as financial assets at fair value through profit or loss based on the Group's business model. Refer to note 22 for further information on fair values.

The fair value gain or loss on other investments are presented in net finance income or cost in the statement of profit or loss.

19. SHARE CAPITAL AND RESERVES

	30/6/19 US\$ '000	31/12/18 US\$ '000
1. Share capital		
Authorised		
2,000,000,000 shares of US\$0.001 each	<u>2,000</u>	<u>2,000</u>
Issued and fully paid		
523,847,027 A shares of US\$0.001 each	524	524
523,847,027 B shares of US\$0.001 each	<u>524</u>	<u>524</u>
	<u>1,048</u>	<u>1,048</u>

2. Translation reserve

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

3. Retained earnings

Retained earnings are available for distribution at each reporting date. No dividends were proposed, declared or paid during the six-month period ended 30 June 2019.

4. Capital reserve

Represents the effect of the acquisition, in 2015, of the 10% non-controlling interests in Bioka Investments Ltd and its subsidiary Nordservice LLC previously held at 90% and the effect of the acquisitions during the period of the 5% non-controlling interests in Beslaville Management Limited and its subsidiary Zheldoruslugi LLC previously held at 95% and of the 26% non-controlling interest in Bizar LLC previously held at 74%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 2019**20. LOANS AND BORROWINGS**

	30/6/19 US\$ '000	31/12/18 US\$ '000
<u>Non-current liabilities</u>		
Secured bank loans	<u>384,010</u>	<u>487,348</u>
<u>Current liabilities</u>		
Secured bank loans	16,407	16,176
Unsecured loans from other non-related companies	<u>284</u>	<u>257</u>
	<u>16,691</u>	<u>16,433</u>

The outstanding loans at 30 June 2019 were as follows:

1) A secured loan from VTB Bank JSC («VTB») acquired by one of the Group's subsidiaries, Bellgate Constructions Ltd («Bellgate»), based on a loan agreement signed on the 28 December 2017. This loan was used to refinance the previous loan and Ozerkovskaya III loan from VTB. Bellgate received the loan in five tranches, during January and February 2018, in Euros and Russian Rubles. The blended interest rate on the loan is circa 5.7% per annum (assuming EUR/RUR exchange rate and Russian Central Bank key lending rate as at 30.06.2019). The interest and the principal of the loan are to be paid quarterly, while the term of the loan is 5 years. In June 2019 Bellgate made a partial early repayment of the loan of EUR60 million (equivalent to US\$68 million).

2) Secured loans from VTB acquired by Group's subsidiaries, Sanatorium Plaza Kislovodsk and Sanatorium PlazaSPA Zheleznovodsk (Sanatoriums), based on loan agreements signed on the 12 October 2018. The loans were used to refinance the previous loans of Sanatoriums from VTB (which were received to finance the acquisition of the additional 50% stake in the Sanatorium Plaza Kislovodsk and to repay intra group loans). Sanatoriums received the loans in Euros. The interest rate on the loans is 4.2% per annum. The interest and the principal of the loans are to be paid quarterly with a balloon payment of circa 60% at maturity, while the terms of the loans are up to 4 years. In May 2019 the Group made a partial early repayment of the loan of EUR35 million (equivalent to US\$39 million).

The financial covenants in the loan agreements remained the same as described in the last annual consolidated financial statements. The Group has complied with the loan covenants during six months ended 30 June 2019.

21. TRADE AND OTHER PAYABLES

	30/6/19 US\$ '000	31/12/18 US\$ '000
Trade payables	23,110	10,742
Payables to related parties (note 25)	404	192
Amount payable to builders	27,062	18,056
VAT and other taxes payable	5,576	4,800
Other payables	<u>6,450</u>	<u>3,588</u>
	<u>62,602</u>	<u>37,378</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 201921. TRADE AND OTHER PAYABLES (continued)

The increase in the trade payables since 2018 year-end is mainly due to the recognition of a financial liability by one of the Group's Russian subsidiaries, AFI RUS Management LLC in the amount of 910 million Russian rubles (equivalent to US\$14.4 million) based on an irrevocable contract with a third party developer to acquire a number of apartments as described further in this note. At the same time, the Group has recognised a non-financial asset in its balance sheet of the same amount representing a right to acquire these apartments.

Irrevocable contract to acquire a number of apartments:

A number of Group's subsidiaries provide construction management and marketing services to Metromash JSC ("Metromash") for the development of "Sirenevy Park" residential project in Moscow. As part of the marketing process, one of the Group's subsidiaries, AFI RUS Management concluded an irrevocable "DDU" agreement (contract of participation in construction) with Metromash. Date of state registration of the agreement is 27 June 2019. In accordance with this agreement, Metromash has an obligation to transfer 120 apartments not later than 31 December 2021 to AFI RUS Management, on account of future sales. AFI RUS Management has an obligation to pay full consideration in the amount of 910 million rubles during one year from the date of state registration. The apartments will be marketed together with other apartments of Metromash, while AFI RUS Management will pay to Metromash as the apartments are pre-sold to end-customers.

As at 30 June 2019 no payments were made by AFI RUS Management to Metromash and no apartments were sold by AFI RUS Management to customers.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

22. FINANCIAL INSTRUMENTS

A. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels and the fair value hierarchy for financial instruments measured at fair value. 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.

	Financial assets at amortised cost	Carrying amount			Fair value			
		Financial assets at amortised cost	Mandatory others	Other financial liabilities	Total	Level 1	Level 2	Level 3
30 June 2019	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets measured at fair value								
Investment in equity securities	-	5,335	-	-	5,335	-	-	5,335
Investment in fund	-	9,002	-	-	9,002	-	-	9,002
		14,336			14,336			
Financial assets not measured at fair value								
Loans receivable	680	-	-	-	680			
Trade and other receivables	18,815	-	-	-	18,815			
Cash and cash equivalents	90,117	-	-	-	90,117			
	109,612	-	-	-	109,612			
Financial liabilities not measured at fair value								
Interest bearing loans and borrowings	-	-	-	(400,701)	(400,701)	-	-	(402,252)
Trade and other payables	-	-	-	(48,346)	(48,346)			
				(449,047)	(449,047)			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

22. FINANCIAL INSTRUMENTS (continued)

A. Accounting classifications and fair values (continued)

	Carrying amount			Fair value				
	Financial assets at amortised cost	Mandatory others at FV/TPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2018								
Financial assets measured at fair value								
Investment in equity securities	-	5,244	-	5,244	-	-	5,244	5,244
Investment in fund	-	9,146	-	9,146	-	-	9,146	9,146
Investment in listed debt securities	-	2,022	-	2,022	2,022	-	-	2,022
	-	16,412	-	16,412				
Financial assets not measured at fair value								
Loans receivable	3,389	-	-	3,389				
Trade and other receivables	10,832	-	-	10,832				
Cash and cash equivalents	89,003	-	-	89,003				
	103,224	-	-	103,224				
Financial liabilities not measured at fair value								
Interest bearing loans and borrowings	-	-	(503,781)	(503,781)	-	-	(506,854)	(506,854)
Trade and other payables	-	-	(22,334)	(22,334)				
	-	-	(526,115)	(526,115)				

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 201922. FINANCIAL INSTRUMENTS (continued)**B. Measurement of fair values**

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values at 30 June 2019 and 31 December 2018 for financial instruments measured in fair value in the statement of financial positions, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment in fund	The securities and other assets of each Segregated Portfolio are valued by the Fund based on market quotations. If market quotations are not readily available, or if the Investment manager determines that special circumstances exist which effect the value of a security, the valuation of those securities and other assets will be determined in good faith by the Investment manager, whose determination will be final, conclusive and binding on all parties.	Not applicable	Not applicable

23. ADVANCES FROM CUSTOMERS

	30/6/19 US\$ '000	31/12/18 US\$ '000
Balance 1 January as previously reported	65,407	123,766
Effect of adoption of IFRS 15 as at 1 January 2018*	-	(77,877)
Restated balance at 1 January	65,407	45,889
Customer advances during period/year	86,771	174,514
Effect of recognition of revenue	(105,990)	(144,204)
Effect of movements in exchange rates	5,786	(10,792)
Balance 30 June / 31 December	<u>51,974</u>	<u>65,407</u>

*The Group has initially adopted IFRS 15 Revenue from Contracts with Customers as from 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019

24. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

Russian business and economic environment

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

Elevated geopolitical tensions and difficult external financial conditions continue to impose risks of further 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. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. Despite a moderate growth in the first half of the year and forecasted overall growth of 1.2% in 2019, expansion of economic sanctions still poses key risks to medium-term growth.

Legislative changes in relation to residential construction and sales mean that, from July 2019, developers of all projects under construction can only pre-sell apartments using escrow schemes. Escrow schemes mean that all proceeds received from customers who are buying residential units during construction should be kept in an escrow account and cannot be used by the developers to finance the ongoing construction. Under the new legislation, the money in the escrow account can only be released to the developer when construction is completed and residential units are delivered to customers. Client funds so far received by developers under the share participation agreements ("DDU"), which have been traditionally used to finance construction, need to be replaced with external project financing from banks and own equity financing.

In June 2019 the Russian Government defined the projects completed by not less than 30% (calculated of the total project construction budget) with a number of signed share participation agreements not less than 10%, will be exempt from the escrow scheme conditions under which certain projects currently under construction can continue to use the previous financing scheme. Changes to the financing of residential development projects, a transition from client funds financing to project financing, and the corresponding increase in equity share required to finance the projects will have a significant effect on projects' cash flows and increase projects' costs. As a result, market participants expect an upward pressure to be placed on primary market prices.

The interim 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTSFor the period from 1 January 2019 to 30 June 201925. RELATED PARTIES

	30/6/19 US\$ '000	31/12/18 US\$ '000
(i) Outstanding balances with related parties		
<u>Assets</u>		
Amounts receivable from other related companies (note 16)	116	184
Secured loan receivable from related company	—	<u>1,163</u>

The loan receivable from related company was secured by personal guarantee of the controlling ultimate beneficial owner, whereby the guarantor undertakes to pay on demand all the amounts due under the respective loan agreement in case of the borrower's default. On 12 April 2019, the Group received full repayment of the secured loan from related company

	30/6/19 US\$ '000	31/12/18 US\$ '000
<u>Liabilities</u>		
Amounts payable to other related companies (note 21)	217	156
Amounts payable to ultimate beneficial owner	135	-
Amounts payable to directors	50	32
Deferred income from related company	<u>25</u>	<u>66</u>

(ii) Transactions with the key management personnel	1/1/19- 30/6/19 US\$ '000	1/1/18- 30/6/18 US\$ '000
Key management personnel compensation comprised:		
Short-term employee benefits	1,113	787
Short-term directors' benefits	<u>101</u>	<u>658</u>
	<u>1,214</u>	<u>1,445</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The person is a member of the key management personnel of the entity or its parent (includes the immediate, intermediate or ultimate parent). Key management is not limited to directors; other members of the management team also may be key management.

(iii) Other related party transactions	1/1/19- 30/6/19 US\$ '000	1/1/18- 30/6/18 US\$ '000
Revenue		
Related companies – rental income	127	166
Related companies – interest income	<u>17</u>	<u>—</u>

26. SUBSEQUENT EVENTS

There were no material events that took place after the six month period and until the date of the approval of these interim financial statements by the Board of Directors on 26 August 2019, which have a bearing on the understanding of these financial statements.