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17 May 2016

AFI DEVELOPMENT PLC
(“AFI DEVELOPMENT” OR “THE COMPANY”)

RESULTS FOR THE THREE MONTHS TO 31 MARCH 2016

Difficult conditions continue to affect financial results

AFI Development, a leading real estate company focused on developing property in Russia, has today announced its financial results for the three months ended 31 March 2016.

Q1 2016 financial highlights

- Rental income and income from hotel operations declined to US$20.0 million (from US$24.4 in Q1 2015) as a result of the continuously difficult macroeconomic environment
  - AFIMALL City contribution at US$16.1 million, compared to US$19.1 million in Q1 2015
- At the same time, gross profit increased to US$15.1 million compared to US$11.2 million in Q1 2015
- Net loss for the quarter amounted to US$31.9 million compared to net profit of US$6.0 in Q1 2015, mainly due to a valuation loss
- Cash, cash equivalents and marketable securities stood at US$32.5 million as of 31 March 2016

Q1 2016 operational highlights

- Following the VTB Bank warning that it would exercise its right under the loan facility agreements to claim early repayment of the loans if certain conditions were not met, the Bank and the Company are considering the possibility of reaching an agreement to release the AFI Development Group from both loans owed to the Bank of current balance of US$611.1 million. The Bank has communicated to the Company that it expects to conclude the negotiations not later than 31 May 2016
- In **Odinburg**, the delivery of apartments in Building 1 commenced in March 2016, while the construction of Building 2 continues. The number of sale contracts signed amounted to 698 (97% of total) in Building 1 and 158 (22% of total) in Building 2 as of 16 May 2016

- The main construction phase and pre-sale of apartments at the **Paveletskaya II** residential development commenced in December 2015; 45 flats and 4 “apartments” have been pre-sold to date
- Despite the difficult market conditions, **AFIMALL City** retained the majority of its tenants and welcomed several new retailers to the Mall during the quarter
  - NOI declined to US$12.4 million in Q1 2016 compared to US$13.7 million in Q1 2015

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

“Ongoing macroeconomic difficulties continued to affect our results in the first quarter of 2016. At the same time, the Company is committed to continue the development of our existing projects. I believe that the results of our negotiations with the VTB Bank, while removing credit exposure to the VTB Bank and neutralising the risks related to servicing a foreign currency loan, will ensure further stable development of the Company”.

Q1 2016 Results Conference Call:

AFI Development will hold a conference call for analysts and investors to discuss its Q1 2016 financial results on Wednesday, 18 May 2016, following the publication of the Company's financial results.

The details for the conference call are as follows:

Date:	**Wednesday, 18 May 2016**	
Time:	**15:00 BST (17:00 Moscow)**	
Dial-in Tel:	**International:**	**+44 (0)20 3003 2666**
	US toll-free:	**1 866 966 5335**
	Russia toll-free:	**8 10 8002 4902044**
Password:	**AFI**	

Please dial in 5/10 minutes prior to the commencement time giving your name, company and stating that you are dialling into the AFI Development conference call quoting the reference AFI.

Prior to the conference call, the Q1 2016 Investor Presentation of AFI Development will be published on the Company website at http://www.afi-development.com/en/investor-relations/reports-presentations on 18 May 2016 by 12pm BST (2pm Moscow).

- ends -

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About AFI Development

AFI Development is one of the leading real estate development companies operating in Russia. Established in 2001, the Company is a publicly traded subsidiary of Africa Israel Investments Ltd.

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 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.

Executive Chairman’s Statement

Although the general economy has shown signs of stabilisation in the first quarter (with higher oil prices and inflation on the downward trend following the highs reached in 2015), the performance of the real estate sector remains weak.

Our focus on operational efficiency has resulted in a gross profit of US$15.1 million for the quarter, a 34% increase compared to Q1 2015. However, due to valuation losses we incurred a net loss of US$31.9 million for the quarter.

Following the VTB Bank warning that it would exercise its right under the loan facility agreements to claim early repayment of the loans if certain conditions were not met, the Bank and the Company are considering the possibility of reaching an agreement to release the AFI Development Group from both loans owed to the Bank in exchange for the disposal to the Bank of several significant assets. The Bank has communicated to the Company that it expects to conclude the negotiations not later than 31 May 2016.

We are committed to continue the construction of our residential projects “Odinburg” and “AFI Residence Paveletskaya” and to commence the construction of “Bolshaya Pochtovaya”.

Projects update

AFIMALL City

During the first quarter, the construction of the underground passage between the AFIMALL City and the Mercury City Tower was completed. The new passage connects the AFIMALL with this office-residential tower with the total buildable area of 174,000 sqm, further increasing the potential traffic to the Mall.

During the quarter, AFIMALL City welcomed several new tenants, including B&G Store (children apparel), Pepen (women apparel) and Mario Mikke (shoes and accessories).

Odinburg

Construction works of Phase 1 (“Korona”) are currently underway. During Q1 2016, the final fit-out, engineering systems installations and landscaping works at Building 1 of the first phase of Odinburg were completed and the delivery of apartment started in late March. With the apartments at Building 1 almost fully sold, the marketing and sales activities have been focused on Building 2. As of the date of publication of this report, 698 out of 723 contracts for sales of apartments in Building 1 have been signed, while for Building 2 158 out of 706 contracts have been signed.

AFI Residence Paveletskaya (Paveletskaya II)

In December 2015, AFI Development successfully launched the main construction phase of the project. Flats and “apartments” pre-sales started simultaneously with the construction launch. As of the date of publication of this report, 45 contracts for sales of flats and 4 for sales of “apartments” have been signed.

Aquamarine III (Ozerkovskaya III)

The Company continues to market office space in the complex to potential buyers and tenants.

Tverskaya Plaza Ic

AFI Development plans to start construction of this project as soon as debt financing on favourable terms has been secured and the market environment becomes more supportive.

Bolshaya Pochtovaya

Design works and preparations for construction at Bolshaya Pochtovaya continue. The Company plans to start construction of the project in H2 2016.

Lev Leviev
Executive Chairman of the Board

ANNEX A

31.3.2016 – Very significant property disclosure

1. AFIMALL City

(Data based on 100%. Share of the Company in the property – 100%)	**Current quarter (Q1 2016)**	**Comparative data**			
	Q1 2016	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**
Value of the property (000'USD)	666,000	685,200	990,000	990,000	1,000,000
NOI in the period (000'US$)	12,442	12,259	11,943	15,395	13,686
Revaluation gains (losses) in the period (000'US$)	(33,356)	(276,764)	59,918	(28,970)	13,821
Occupancy rate at the end of the period (%)	82%	78%	76%	77%	83%
Rate of return (%)	7.5%	7.8%	5.5%	5.9%	5.5%
Average rent per sq.m. (US$/annum)	828	1,103	1,057	1,144	1,117
Average rent per sq.m. in agreements signed in the period (US$/annum)	248[1]	989	664	1,399	832

[1] Represented mainly by exhibition areas (6th floor, circa 4,000 sqm) leased by single tenant

2. Bolshaya Pochtovaya

Investment property and features		Financial data					Completion at the end of the year (%)	Share of the property areas regarding which binding rental contracts were signed by end of the year (%)	Data on evaluation and underlying assumptions		
				Data on fair value and revaluations							
		Reporting period	Cumulative cost at the end of the year. Including land, construction, and others. (consolidated) (USD thousands)	Fair value at the end of the year (consolidated) (USD thousands)	Book value at the end of the year (consolidated) (USD thousands)	Revaluation gains for the year (consolidated) (USD thousands)			Appraiser and experience	Evaluation model	Additional underlying assumptions (as relevant)
Property name	Located at 24, 30, 34 Bolshaya Pochtovaya Street, Moscow	2015	227,743	71,460	71,460	(33,458)	65%	-	JLL	DCF	Cap rate – 11% Discount rate – 22% Average apt price USD 2,750/sq.m.; commercial USD 2,331/ sq.m.
Operating currency	USD										
Purchase date of the property or land on which the property is constructed	Lease agreements for 5 land plots designed to be used for the property were purchased by the holding company in 2007, 2012 and 2014	2014	226,127	108,300	108,300	(39,873)	43 %	-	Cushman& Wakefield	DCF	Cap Rate - 11% Discount rate - 22% Average market sale price for apartments - 5,000 USD/sq.m; Retail - 4,000 USD/sq.m;
Company's effective	99.7										

share (%)											
Presentation in the consolidated financial statements	Fully consolidated										
Estimated construction completion date	2019[2]	2013	204,344	139,400	139,400	(834)	39%	-	Cushman& Wakefield	DCF	Cap Rate - 10% Discount rate - 19% Average market sale price for apartments - 6,000 USD/sq.m; Retail - 5,000 USD/sq.m
Designated property areas (by use)[3]	170,350 sq.m., including, inter alia: Residential – 56,952 Commercial – 6,200 Offices – 28,008										
Total anticipated investment (including land, construction and misc.) (in USD thousands)	352,065										

[2] Based on the assumptions that were used in JLL valuation as at December 31, 2015 and concerns the whole project.

[3] The holding company has obtained lease rights in relation to 4 land plots for construction purposes and to 1 land plot for the purposes of operation of several unfinished buildings. The holding company will need to change permitted use of such land plot for construction. Currently the Company also seeks to obtain an additional land plot for development of the project.

ANNEX B

31.3.2016 – Very significant loans disclosure

Balance as of 31.03.2016	Lender type: Bank, Institutional etc.	Indexation/ currency exposure & interest rate	Liens and material legal restrictions on the property	Covenants	Cross default mechanism	Any other covenants or restriction that might increase the cost of debt	In-case it is a credit line facility - what are the terms&conditions for draw downs	The methods/way that the covenant is calculated	Covenant calculation results	The date of Q1 2016 financial statement were reported	The date that the lender is checking the borrower is line with the covenants
USD 276,885,605 and RUR 9,650,623,004 (USD 142 744 647). Total amount in USD as of 31.03.2016 is USD 419,630,252	Specific project financed by VTB Bank JSC	RUR/USD loan provided in five tranches totalling RUR 21 billion. Each tranche can be drown down either in US Dollars or in Rubles (at Company's discretion). The loan facility has differentiated interest rates which are currency dependent: 9.5% for loans drawn down in Russian rubles and 3 months LIBOR + 5.02% for loans drawn down in US dollars. The interest on the loans is payable on a quarterly basis, throughout the term of the credit line. The principal is due to be fully repaid in April 2018. The RUR interest rate may be unilaterally increased by the lending bank, should one of the interest indicators stipulated by the Russian Central Bank and specified in the loan agreement be increased; the interest rate will be increased by the amount of the interest indicator increase.	1. Liens over all the Bellgate's shares 2. AFI Development PLC company guarantee, limited to USD 1,000,000 3. Mortgage over 100% of the premises of AFIMALL City 4. Mortgage over the premises in the Parking owned by Bellgate, upon registration of Bellgate's rights to land plot under the Parking 5. Permission to debit Bellgate's account held in the lending bank 6. Additional mortgage over the premises of the "Aquamarine" Hotel in Moscow, to be removed in case Bellgate (the borrower) redeems USD 20 million of the principal 7. Additional guarantee by Semprex LLC, a Russian Company - an indirect subsidiary of AFI Development Plc, to be removed in case Bellgate (the borrower) redeems USD 20 million of the principal	(1) Bellgate'(the Borrower) should have minumum quarterly revenues, ranging from RUR 651,000,000 in Q3 2012 to RUR 1,139,000,000 in Q1 2018. Penalty: 0.5% per annum extra charge to the interest rate applicable under the loan agreement- applicable only for the quarter when the aforesaid revenue threshold was not achieved; (2) Liquidation Value of the property should be higher than sum of the outstanding principal and six months interest.	N/A	N/A	The loan is given in five tranches: 1st tranche drawn down on 29 June 2012, 2nd tranche drawn down on 3 August 2012 on the amount USD 69, 385,604.64 (RUR 2,252,000,000), 3rd tranche of RUR 1,300,000,000 drawn down on 01.02.2013, 4th tranche of RUR 1,333,333,333.33 drawn down on 28.02.2013 , 5th tranche of RUR 1,333,333,333.34 drawn down on 28.02.2014.	(1) The total of revenue, including VAT , calculated quarterly; (2) The Liquidation Value is determined by an external valuer appointed by the Bank.	**(1)** The minimum quarterly revenue for Q1 2016 was 1 084 **millions Roubles incl. VAT** ; **(2)** Liquidation Value determined by an external valuer appointed by the Bank is USD 491,5 million/RUR 34,5 bln (VAT not included)	31 March 2016	(1) Borrowers revenues are checked quarterly; (2) Liquidation value is checked twice a year, on December and on August.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2016 to 31 March 2016

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2016 to 31 March 2016

C O N T E N T S

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Independent auditors' report on review of condensed consolidated interim financial statements 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 31 March 2016, the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 this condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this 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 31 March 2016 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Emphasis of Matter
Without qualifying our conclusion, we draw attention to note 2i to the condensed consolidated interim financial statements which describes that the Group incurred a net loss of US$31,861 thousand for the three-month period ended 31 March 2016, as at that date current liabilities exceed current assets by US$409,888 thousand and that the Group is in negotiations with VTB Bank for full settlement of its loans. These conditions along with other matters as set forth in note 2i, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Maria H. Zavrou, FCCA
Certified Public Accountant and Register Auditor

For and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia, Cyprus

16 May 2016

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2016 to 31 March 2016

	Note	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Revenue	6	27,365	24,446
Other income		2,184	1,135
Operating expenses	8	(7,693)	(11,395)
Carrying value of trading properties sold	14	(6,182)	-
Administrative expenses	7	(1,664)	(2,714)
Other expenses		(13)	(397)
Total expenses		(15,552)	(14,506)
Share of the after tax profit of joint ventures		1,058	122
Gross Profit		15,055	11,197
(Decrease)/increase in fair value of properties	11, 12	(60,275)	21,444
Impairment loss on inventory of real estate		-	(658)
Net valuation (loss)/gain on properties		(60,275)	20,786
Results from operating activities		(45,220)	31,983
Finance income		21,195	2,325
Finance costs		(10,669)	(28,358)
Net finance income/(costs)	9	10,526	(26,033)
(Loss)/profit before tax		(34,694)	5,950
Tax benefit	10	2,833	50
(Loss)/profit for the period		(31,861)	6,000
(Loss)/profit attributable to:			
Owners of the Company		(31,787)	5,944
Non-controlling interests		(74)	56
		(31,861)	6,000
Earnings per share			
Basic and diluted earnings per share (cent)		3.03	0.57

The notes on pages 7 to 23 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2016 to 31 March 2016

	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
(Loss)/profit for the period	(31,861)	6,000
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Realised translation difference on disposal of subsidiaries transferred to income statement	-	(830)
Foreign currency translation differences for foreign operations	14,396	(4,917)
Other comprehensive income for the period	14,396	(5,747)
Total comprehensive income for the period	(17,465)	253
Total comprehensive income attributable to:		
Owners of the Company	(17,490)	117
Non-controlling interests	25	136
	(17,465)	253

The notes on pages 7 to 23 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2016 to 31 March 2016

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share Capital US$ '000	Share Premium US$ '000	Capital reserve US$ '000	Translation Reserve US$ '000	Retained Earnings US$ '000	Total US$ '000	US$ '000	US$ '000
Balance at 1 January 2016	1,048	1,763,409	(9,201)	(338,951)	(620,786)	795,519	(3,919)	791,600
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(31,787)	(31,787)	(74)	(31,861)
Other comprehensive income	-	-	-	14,297	-	14,297	99	14,396
Total comprehensive income for the period	-	-	-	14,297	(31,787)	(17,490)	25	(17,465)
Transactions with owners of the Company								
Contributions and distributions								
Share option expense	-	-	-	-	282	282	-	282
Balance at 31 March 2016	1,048	1,763,409	(9,201)	(324,654)	(652,291)	778,311	(3,894)	774,417
Balance at 1 January 2015	1,048	1,763,409	-	(314,880)	(158,982)	1,290,595	(8,817)	1,281,778
Total comprehensive income for the period								
Profit for the period	-	-	-	-	5,944	5,944	56	6,000
Other comprehensive income	-	-	-	(5,827)	-	(5,827)	80	(5,747)
Total comprehensive income for the period	-	-	-	(5,827)	5,944	117	136	253
Transactions with owners of the Company								
Contributions and distributions								
Share option expense	-	-	-	-	657	657	-	657
Balance at 31 March 2015	1,048	1,763,409	-	(320,707)	(152,381)	1,291,369	(8,681)	1,282,688

The notes on pages 7 to 23 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note	31/3/16 US$ '000	31/12/15 US$ '000
Assets			
Investment property	11	912,600	933,700
Investment property under development	12	237,025	238,925
Property, plant and equipment	13	28,302	26,280
Long-term loans receivable		13,891	14,316
Inventory of real estate		20,397	18,570
VAT recoverable		32	33
Non-current assets		1,212,247	1,231,824
Trading properties	14	35,215	2,062
Trading properties under construction	15	178,745	204,392
Other investments		8,410	15,921
Inventory		515	477
Short-term loans receivable		130	101
Trade and other receivables	16	29,543	29,017
Current tax assets		1,656	1,622
Cash and cash equivalents	17	24,132	26,545
Current assets		278,346	280,137
Total assets		1,490,593	1,511,961
Equity			
Share capital		1,048	1,048
Share premium		1,763,409	1,763,409
Translation reserve		(324,654)	(338,951)
Capital reserve		(9,201)	(9,201)
Retained earnings		(652,291)	(620,786)
Equity attributable to owners of the Company	18	778,311	795,519
Non-controlling interests		(3,894)	(3,919)
Total equity		774,417	791,600
Liabilities			
Long-term loans and borrowings	19	-	389,799
Deferred tax liabilities		18,823	25,567
Deferred income		9,119	8,543
Non-current liabilities		27,942	423,909
Short-term loans and borrowings	19	612,923	224,315
Trade and other payables	20	18,230	18,163
Advances from customers		57,081	53,974
Current liabilities		688,234	296,452
Total liabilities		716,176	720,361
Total equity and liabilities		1,490,593	1,511,961

The condensed consolidated interim financial statements were approved by the Board of Directors on 16 May 2016.

The notes on pages 7 to 23 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2016 to 31 March 2016

	Note	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Cash flows from operating activities			
(Loss)/profit for the period		(31,861)	6,000
Adjustments for:			
Depreciation	13	184	232
Net finance (income)/costs	9	(10,619)	25,949
Share option expense		282	657
Decrease/(increase) in fair value of properties		60,275	(20,786)
Share of profit in joint ventures		(1,058)	(122)
Profit on sale of property, plant and equipment		(24)	-
Tax benefit	10	(2,833)	(50)
		14,346	11,880
Change in trade and other receivables		(537)	1,896
Change in inventories		(1)	45
Change in trading properties and trading properties under construction		(1,419)	(4,843)
Change in advances and amounts payable to builders of trading properties under construction		2,542	(3,629)
Change in advances from customers		(1,001)	8,535
Change in trade and other payables		(1,507)	(3,142)
Change in VAT recoverable		(252)	(3)
Change in deferred income		(82)	(234)
Cash generated from operating activities		12,089	10,505
Taxes paid		(133)	(232)
Net cash from operating activities		11,956	10,273
Cash flows from investing activities			
Proceeds from sale of other investments		12,242	1,172
Proceeds from sale of property, plant and equipment		87	-
Interest received		1,859	1,140
Change in advances and amounts payable to builders	16,20	8	(387)
Payments for construction of investment property under development	12	(339)	(1,114)
Payments for the acquisition/renovation of investment property	11	(36)	(1,198)
Change in VAT recoverable		63	520
Acquisition of property, plant and equipment	13	(150)	(5)
Dividends received from joint ventures		201	-
Acquisition of other investments		(4,643)	-
Payments for loans receivable		(3)	(106)
Net cash from investing activities		9,289	22
Cash flows from financing activities			
Repayment of loans and borrowings		(11,540)	(16,500)
Interest paid		(10,986)	(8,019)
Net cash used in financing activities		(22,526)	(24,519)
Effect of exchange rate fluctuations		(1,132)	(4,179)
Net decrease in cash and cash equivalents		(2,413)	(18,403)
Cash and cash equivalents at 1 January		26,545	86,756
Cash and cash equivalents at 31 March	17	24,132	68,353

The notes on pages 7 to 23 form an integral part of the condensed consolidated interim financial statements.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2016 to 31 March 2016

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. The Company is a 64.88% (31/12/2015: 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 three months ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

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

2. BASIS OF ACCOUNTING

i. Going concern basis of accounting

The Group has recognised a net loss after tax of US$31,861 thousand for the three-month period ended 31 March 2016 and as at that date current liabilities exceed current assets by US$409,888 thousand. These conditions, along with other matters set forth below, indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In more detail, as described in Note 19, on 29 March 2016 an operating subsidiary of the Company, AFI RUS LLC, received a letter from Bank VTB PJSC ("the Bank"). The letter stated that the Bank had reached a conclusion that Bellgate Construction Limited and Krown Investments LLC (the borrowers under the AFIMALL City and the Ozerkovskaya III loan facilities respectively) had experienced, in the opinion of the Bank, material adverse changes in their financial conditions and there had appeared other circumstances that indicate that their obligations under the loan facility agreements could be not met on time. According to the letter, the Bank proposed that the Company "implement steps aimed at removing possible negative consequences of the aforesaid circumstances, no later than 30 calendar days from today", otherwise the Bank will exercise its right under the loan facility agreements to claim early repayment of the loans. Based on this, the total amount of the outstanding loan of Bellgate Construction Ltd (US$420 million) was also reclassified to current liabilities, in addition to the Ozerkovskaya III loan which was already reclassified during 2015.

2. BASIS OF ACCOUNTING (continued)

i. Going concern basis of accounting (continued)

Following the above letter and further to the discussions and negotiations between the Company and the Bank, the two parties are considering the possibility of reaching an agreement on cessation of the indebtedness of the loan facility agreements, of current balance of US$611,115 thousand, by transferring to the Bank several significant assets, of combined book value of US$877,384 thousand. The Company is in the process of analysing this proposal having examined other financing alternatives, such as refinancing through other bank loans or acquiring financing from its holding company, which were deemed non feasible. During these discussions, the Bank has communicated to the Company that it expects to reach agreement on the cessation of the indebtedness by no later than 31 May 2016. Due to the nature and significance of such a transaction, any agreement between the parties will be subject to, *inter alia*, formal documentation and the necessary regulatory and shareholder approvals, if necessary.

If such negotiations bring the parties to an agreement, the Group is estimating that the effect will be a decrease in its equity in the amount of approximately US$266 million. Apart from loss on disposal the transaction may attract income tax, VAT, deferred tax liability and translation reserve adjustments which cannot be estimated reliably as the structure of the agreement is still under negotiation. The actual amounts of the profit or loss and equity effect upon conclusion of the agreement may differ from the above estimate, based on the details and structure of the agreement.

Management believes that it will be in a position to conclude the negotiations with the Bank and is confident that the rest of the Group’s projects will not be affected. Management anticipates that any additional financing budgeted based on its estimated operating cash flows will be secured by new bank facilities and loans, some of which are well into negotiations with other banks. Management expects to continue the construction of projects classified as “Trading properties under development” as described in Note 15, which are “Odinburg” and “Paveleskaya phase II” and commence the construction of “Pochtovaya”.

Management acknowledges that uncertainty remains over the Group’s ability to meet its funding requirements and to refinance or repay its bank loan facilities as they fall due. However, as described above, Management considers that the Group is taking adequate steps to resolve the issue with the VTB loan facilities and secure further financing to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group’s ability to realise assets at their recognised values, in particular investment properties and trading properties and to extinguish liabilities in the normal course of business at the amounts stated in the interim consolidated financial statements.

The cumulative impact of these factors creates uncertainty regarding the Group’s ability to execute its business plans in an orderly and/or timely manner and with respect to its ability to pay its liabilities in an orderly and/or timely manner. The interim financial statements have been prepared on a going concern basis, which assumes that the Group will be in a position to continue its operations in the foreseeable future and it is noted that no reclassifications or adjustments were included with reference to the values of the Group’s assets and liabilities, which may be required if the Group is not able to continue operating as a “going concern”.

2. BASIS OF ACCOUNTING (continued)

i. Going concern basis of accounting (continued)

In reaching such a conclusion, Management has made several assumptions and judgements as to the outcome of future events. The most material assumptions are:

a) The Group will successfully resolve the issue with the Bank through the proposed exchange of the assets in full settlement of the loans since other financing alternatives, such as refinancing through other bank loans or acquiring financing from its holding company may be less feasible.
b) The Group will be in a position to secure financing, if needed, for its residential properties so as to continue their construction.
c) The Group will achieve the sales volume and sale prices as projected in its estimated operational cash flows.

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 2015 ('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.

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 thousand, 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".

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:

As of:	Exchange rate Russian Roubles for US$1	Change %
31 March 2016	67.6076	(7.2)
31 December 2015	72.8827	29.5
31 March 2015	58.4643	3.9
Average rate during:		
Three-month period ended 31 March 2016	74.6283	20.0
Three-month period ended 31 March 2015	62.1919	77.9

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 that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

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 CFO.

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.

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. SIGNIFICANT ACCOUNTING POLICIES

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 2015.

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

Several new standards and amendments apply for the first time in 2016. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Standards, amendments to standards, and interpretations issued but not yet endorsed by the EU
IFRS 15 – "Revenue from Contracts with Customers". The new standard provides a unified application that regulates the accounting treatment of revenue arising from contracts with customers. This standard supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the accompanying interpretations thereof. The core principle of the standard is the recognition of revenue from the transfer of goods or services to customers in an amount that represents the economic benefits that the entity expects to receive in return for them. As such, the standard stipulates that the recognition of revenue will occur when the entity transfers the goods and/or services to the customer and the customer obtains control of those goods or services.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. However since not endorsed by the EU yet, early adoption is not permitted by the Group.

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

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

AFI DEVELOPMENT PLC

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For the period from 1 January 2016 to 31 March 2016

5. OPERATING SEGMENTS (continued)

	Development projects Commercial projects		Residential projects		**Asset management**		**Hotel Operation**		**Other - land bank**		**Total**	
	31/3/16 US$'000	31/3/15 US$'000	31/3/16 US$'000	31/3/15 US$'000	31/3/16 US$'000	31/3/15 US$'000	31/3/16 US$'000	31/3/15 US$'000	31/3/16 US$'000	31/3/15 US$'000	31/3/16 US$'000	31/3/15 US$'000
External revenues	-	-	7,317	23	16,799	20,820	2,362	2,438	887	1,165	27,365	24,446
Inter-segment revenue	41	124	227	164	-	1,189	-	16	5	329	273	1,822
Segment (loss)/profit before tax	(4,466)	3,665	307	(1,178)	(24,005)	3,261	(323)	872	(11,211)	(1,702)	(39,698)	4,918
	31/3/16 US$'000	31/12/15 US$'000	31/3/16 US$'000	31/12/15 US$'000	31/3/16 US$'000	31/12/15 US$'000	31/3/16 US$'000	31/12/15 US$'000	31/3/16 US$'000	31/12/15 US$'000	31/3/16 US$'000	31/12/15 US$'000
Segment assets	65,721	66,070	251,425	242,781	904,677	925,227	28,978	20,970	187,251	191,627	1,438,052	1,446,675
Segment liabilities	5,280	6,639	56,743	52,223	639,736	643,756	-	-	3,891	5,415	705,650	708,033

AFI DEVELOPMENT PLC

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5. OPERATING SEGMENTS (continued)

Reconciliation of reportable segment profit or loss:

	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Total profit before tax for reportable segments	(39,698)	4,918
Unallocated amounts:		
Other profit or loss	3,946	910
Share of profit of joint ventures, net of tax	1,058	122
(Loss)/profit before tax	(34,694)	5,950

6. REVENUE

	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Investment property rental income	17,662	21,966
Sales of trading properties (note 14)	7,297	-
Hotel operation income	2,362	2,438
Construction consulting/management fees	44	42
	27,365	24,446

7. ADMINISTRATIVE EXPENSES

	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Consultancy fees	136	181
Legal fees	89	164
Auditors' remuneration	68	66
Valuation expenses	-	35
Directors' remuneration	340	252
Depreciation	30	30
Insurance	46	52
Provision for Doubtful Debts	-	148
Share option expense	282	657
Donations	300	710
Other administrative expenses	373	419
	1,664	2,714

8. OPERATING EXPENSES

The decrease during the period relates to the continues effort of the Group for a cost saving optimisation program and a reversal of last year's over provision of property tax amounting to US$1,158 thousand.

AFI DEVELOPMENT PLC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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9. FINANCE COST AND FINANCE INCOME

	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Interest income	744	760
Net foreign exchange gain	20,451	-
Translation reserve reclassified upon disposal of subsidiary	-	830
Net change in fair value of financial assets	-	662
Loans written off	-	73
Finance income	21,195	2,325
Interest expense on loans and borrowings	(10,462)	(11,247)
Net change in fair value of financial assets	(114)	-
Net foreign exchange loss	-	(17,027)
Other finance costs	(93)	(84)
Finance costs	(10,669)	(28,358)
Net finance income/(costs)	10,526	(26,033)

10. TAX BENEFIT

	1/1/16-31/3/16 US$ '000	1/1/15-31/3/15 US$ '000
Current tax expense		
Current year	57	201
Deferred tax benefit		
Origination and reversal of temporary differences	(2,890)	(251)
Total income tax benefit	(2,833)	(50)

11. INVESTMENT PROPERTY

Reconciliation of carrying amount

	31/3/16 US$ '000	31/12/15 US$ '000
Balance 1 January	933,700	1,375,416
Renovations/additional cost	36	2,013
Fair value adjustment	(50,192)	(332,361)
Effect of movement in foreign exchange rates	29,056	(111,368)
Balance 31 March / 31 December	912,600	933,700

11. INVESTMENT PROPERTY (continued)

During the period, the independent appraisers of the Company have performed updated valuations for the projects AFIMALL and Aquamarine III Business Center. Based on these valuations the fair value of the projects as at 31 March 2016 equal to US$666,000 thousand and US$197,400 respectively compared to US$685,200 thousand and US$199,300 respectively on 31 December 2015. Additionally, for the rest of the projects, the appraisers have performed a desktop valuation review whereby they have confirmed that the market value of the projects have not changed materially since 31 December 2015.

The fair value adjustment in the table above represents the adjustments of AFIMALL and Aquamarine III Business Center projects as explained above. The increase due to the effect of the foreign exchange fluctuation is a result of the rouble strengthening compared to the US Dollar by 7.2% during the first quarter of 2016. Part of the fair value adjustment is a result of this rouble strengthening.

12. INVESTMENT PROPERTY UNDER DEVELOPMENT

	31/3/16 US$ ’000	31/12/15 US$ ’000
Balance 1 January	238,925	431,474
Construction costs	339	10,906
Transfer to trading properties under construction (note 15)	-	(69,300)
Fair value adjustment	(10,083)	(102,003)
Effect of movements in foreign exchange rates	7,844	(32,152)
Balance 31 March / 31 December	237,025	238,925

Based on the desktop valuation review performed by the independent appraisers the market value of the projects have not changed materially since 31 December 2015.

The increase due to the effect of the foreign exchange fluctuation is a result of the rouble strengthening compared to the US Dollar by 7.2% during the first quarter of 2016. The fair value adjustment loss is mostly related to this rouble strengthening.

13. PROPERTY, PLANT AND EQUIPMENT

	31/3/16 US$ ’000	31/12/15 US$ ’000
Balance 1 January	26,280	35,101
Additions	150	56
Transfer from trading properties (note 14)	-	212
Depreciation for the period/year	(184)	(963)
Disposals	(63)	(1)
Effect of movements in foreign exchange rates	2,119	(8,125)
Balance 31 March / 31 December	28,302	26,280

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2016 to 31 March 2016

14. TRADING PROPERTIES

	31/3/16 US$ '000	31/12/15 US$ '000
Balance 1 January	2,062	2,979
Transfer from trading properties under construction (note 15)	39,787	-
Transfer to property, plant and equipment (note 13)	-	(212)
Disposals	(6,182)	(609)
Effect of movements in exchange rates	(452)	(96)
Balance 31 March / 31 December	35,215	2,062

Trading properties comprise of unsold apartments and parking places.

The transfer from trading properties under construction represents the completion of the construction of a number of flats of "Odinburg" project. During the period the sale of 104 flats was recognised, upon transferring of the rights to the buyers according to the signed acts of acceptance, in the income statement.

15. TRADING PROPERTIES UNDER CONSTRUCTION

	31/3/16 US$ '000	31/12/15 US$ '000
Balance 1 January	204,392	133,036
Transfer to trading properties (note 14)	(39,787)	-
Transfer from investment property under development (note 12)	-	69,300
Construction costs	7,190	33,670
Impairment loss	-	(13,400)
Effect of movements in exchange rates	6,950	(18,214)
Balance 31 March / 31 December	178,745	204,392

Trading properties under construction comprise "Odinburg" and "Paveletskaya Phase II" projects, which involve primarily the construction of residential properties.

16. TRADE AND OTHER RECEIVABLES

	31/3/16 US$ '000	31/12/15 US$ '000
Advances to builders	17,763	18,383
Amounts receivable from related parties (note 24)	361	337
Trade receivables, net	4,004	3,381
Other receivables	3,372	3,037
VAT recoverable	1,138	858
Tax receivable	2,905	3,021
	29,543	29,017

Trade receivables, net
Trade receivables are presented net of an accumulated provision for doubtful debts of US$11,572 thousand (2015: US$11,402 thousand).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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17. CASH AND CASH EQUIVALENTS

	31/3/16 US$ '000	31/12/15 US$ '000
Cash at banks	23,922	26,374
Cash in hand	210	171
Cash and cash equivalents in the statement of cash flows	24,132	26,545

18. SHARE CAPITAL AND RESERVES

(i) Share capital

	31/3/16 US$ '000	31/12/15 US$ '000
Authorised		
2,000,000,000 shares of US$0.001 each	2,000	2,000
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	524	524
	1,048	1,048

(ii) Employee share option plan

There were no changes as to the employee share option plan during the three-month period ended 31 March 2016.

(iii) 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.

(iv) Retained earnings

Retained earnings are available for distribution at each reporting date. No dividends were proposed, declared or paid during the three-month period ended 31 March 2016.

(v) Capital reserve

Represents the effect of the acquisition of the 10% non-controlling interests in Bioka Investments Ltd and its subsidiary Nordservice LLC previously held at 90%.

19. LOANS AND BORROWINGS

	31/3/16 US$ '000	31/12/15 US$ '000
Non-current liabilities		
Secured bank loans	-	389,799
Current liabilities		
Secured bank loans	612,665	224,076
Unsecured loans from other non-related companies	258	239
	612,923	224,315

19. LOANS AND BORROWINGS (continued)

The following changes to the loans took place during the quarter ended 31 March 2016:

On 29 March 2016 the operating subsidiary of the Company, AFI RUS LLC received a letter from Bank VTB PJSC ("the Bank"). The letter stated that the Bank had reached a conclusion that Bellgate Construction Limited and Krown Investments LLC (the borrowers under the AFIMALL City and the Ozerkovskaya III loan facilities respectively) had experienced, in the opinion of the Bank, material adverse changes in their financial conditions and there had appeared other circumstances that indicate that their obligations under the loan facility agreements could be not met on time. According to the letter, the Bank proposed that the Company "implement steps aimed at removing possible negative consequences of the aforesaid circumstances, no later than 30 calendar days from today", otherwise the Bank will exercise its right under the loan facility agreements to claim early repayment of the loans. Based on this, the total amount of the outstanding loan of Bellgate Construction Ltd (US$420 million) was also reclassified to current liabilities, in addition to the Ozerkovskaya III loan which was already reclassified during 2015.

Following the above letter and further to the discussions and negotiations between the Company and the Bank, the two parties are considering the possibility of reaching an agreement on cessation of the indebtedness of the loan facility agreements, of current balance of US$611,115 thousand, by transferring to the lender several significant assets, of combined book valued of US$877.4 million.

The Company is in the process of analysing this proposal having examined other financing alternatives, such as refinancing through other bank loans or acquiring financing from its holding company, which were deemed non feasible. During these discussions, the Bank has communicated to the Company that it expects to reach agreement on the cessation of the indebtedness by no later than 31 May 2016. Due to the nature and significance of such a transaction, any agreement between the parties will be subject to, inter alia, formal documentation and the necessary regulatory and shareholder approvals, if necessary.

20. TRADE AND OTHER PAYABLES

	31/3/16 US$ '000	31/12/15 US$ '000
Trade payables	5,463	7,815
Payables to related parties (note 24)	505	657
Amount payable to builders	4,315	3,297
VAT and other taxes payable	4,921	4,613
Other payables	3,026	1,781
	18,230	18,163

Payables to related parties

Include an amount of US$27 thousand (31/12/15: US$27 thousand) payable to Danya Cebus Rus LLC, a related party of the Group, for contracts signed in relation to the construction of Group's projects.

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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21. FINANCIAL INSTRUMENTS

Carrying amounts 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.

	Carrying amount						Fair value			
	Non-current assets	Current assets								
	Loans Receivable	Trade and other receivables	Other investments, Including derivatives	Cash and cash equivalents	Loans receivable	Total	Level 1	Level 2	Level 3	Total
31 March 2016	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets measured at fair value										
Investment in listed debt securities	-	-	8,390	-	-	8,390	8,390	-	-	8,390
Financial assets not measured at fair value										
Loans receivable	13,891	-	-	-	130	14,021				
Trade and other receivables	-	7,737	-	-	-	7,737				
Cash and cash equivalents	-	-	-	24,132	-	24,132				
	13,891	7,737	8,390	24,132	130	54,280				
31 December 2015										
Financial assets measured at fair value										
Investment in listed debt securities	-	-	15,901	-	-	15,901	15,901	-	-	15,901
Financial assets not measured at fair value										
Loans receivable	14,316	-	-	-	101	14,417				
Trade and other receivables	-	6,755	-	-	-	6,755				
Cash and cash equivalents	-	-	-	26,545	-	26,545				
	14,316	6,755	15,901	26,545	101	63,618				

AFI DEVELOPMENT PLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2016 to 31 March 2016

21. FINANCIAL INSTRUMENTS (continued)

Carrying amounts and fair values (continued)

	Carrying amount				Fair value			
	Non-current liabilities	Current liabilities						
	Interest bearing loans and borrowings	Trade and other payables	Interest bearing loans and borrowings	Total	Level 1	Level 2	Level 3	Total
31 March 2016	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial liabilities not measured at fair value								
Interest bearing loans and borrowings	-	-	(612,923)	(612,923)				(612,923)
Trade and other payables	-	(13,309)	-	(13,309)				
	-	(13,309)	(612,923)	(626,232)				
31 December 2015								
Financial liabilities not measured at fair value								
Interest bearing loans and borrowings	(389,799)	-	(224,315)	(614,114)				(583,635)
Trade and other payables	-	(13,550)	-	(13,550)				
	(389,799)	(13,550)	(224,315)	(627,664)				

22. CONTINGENCIES

There are no any contingent liabilities as at 31 March 2016.

23. 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 2015.

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.

Russian economy would contract this year by 1.8%, before growth is expected to resume at a modest rate of 0.8% in 2017 (IMF).

Russia has experienced two major shocks: oil and sanctions. Russia's anticipated economic recovery has been delayed, and the country continues to adjust to an adverse external environment of lower oil prices and international sanctions. Russia's rouble exhibited further volatility amid negative dynamics in commodity markets.

The adjustment to the worsening external environment caused an estimated 10 percent drop in gross domestic income, which sapped consumer demand and discouraged investment.

Following a strong contraction in 2015 by 3.7%, Russia's economic activity decreased in Q1 by 2.0% in annual terms. Heading into Q2, leading indicators suggest that the economy is still fragile.

The interim 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.

24. RELATED PARTIES

(i) **Outstanding balances with related parties**	31/3/16 US$ '000	31/12/15 US$ '000
Assets		
Amounts receivable from joint ventures	11	10
Amounts receivable from ultimate holding company	203	203
Amounts receivable from other related companies	147	124
Long term loans receivable from joint ventures	13,837	14,246
Short term loan receivable from joint venture	106	98
Liabilities		
Amounts payable to joint ventures	7	6
Amounts payable to ultimate holding company	370	492
Amounts payable to other related companies	128	159
Deferred income from related company	134	125

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For the period from 1 January 2016 to 31 March 2016

24. RELATED PARTIES (continued)

(ii) **Transactions with key management personnel**	1/1/16-31/3/16 US$ ’000	1/1/15-31/3/15 US$ ’000
Key management personnel compensation Short-term employee benefits	656	707
Share option scheme expense	282	657

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**	1/1/16-31/3/16 US$ ’000	1/1/15-31/3/15 US$ ’000
Revenue		
Related companies – rental income	143	217
Joint venture – consulting services	39	36
Joint venture – interest income	311	346
Expenses		
Ultimate Holding Company – operating expenses	38	112
Joint venture – operating expenses	12	15

(iv) **Other related party transactions**	1/1/16-31/3/16 US$ ’000	1/1/15-31/3/15 US$ ’000
Construction services capitalised or recognised in advances to builders		
Related company – construction services	-	935

25. SUBSEQUENT EVENTS

Subsequent to 31 March 2016 there were no events that took place which have a bearing on the understanding of these financial statements other than the ongoing discussions and negotiations with the VTB bank to reach an agreement for the full settlement of the loans as described in note 2i and 19.