arricano
commercial real estate

Annual Report 2015

About Arricano

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine.

Today, Arricano owns and operates five completed shopping centres comprising 147,800 square metres of gross leasable area, a 49.9 per cent shareholding in Assofit and land for a further three sites under development.

2015 Financial Highlights

- Recurring revenues were USD20.4 million (2014: USD22.8 million).
- Operating profit increased to USD18.9 million (2014: USD10.5 million), both figures including revaluation gains and adjustments to operating expenses explained below.
- Total fair valuation of the Company's portfolio was USD160.3 million as at 31 December 2015 (2014: USD205.6 million).
- Overall occupancy rates for 2015 increased to 96.2 per cent against 89.3 per cent in 2014.
- As at 31 December 2015, the Company's borrowings at project level remain conservative with a loan to investment property value ratio of 37.44 per cent per cent, compared to 2014 number of 29.6 per cent.
- Net asset value USD3.1 million (2014: USD61.7 million).

Our Portfolio at a Glance

Completed Portfolio

Consists of five shopping centres located in the cities of Kryvyi Rih, Zaporizhzhia, Simferopol and Kyiv. Spread over 147,800 square metres offering consumers a range of domestic and international retail brands.

Read more:
Page 6

Investment

49,9 shareholding in Assofit, ex-holding company of Sky Mall, one of the City's largest shopping centres, home to a range of leading retail brands including Marks & Spencer, Topshop and Comfy.

Read more:
Page 11

Development Properties

Following the IPO on AIM, the Company acquired four development sites for approximately USD66 million, one of which was completed and three are at different stages of development. Two are located in Kyiv and one is in Odesa.

Read more:
Page 11

Strategic Report

Directors' Report

Financial Statements

The Board believes that the Company remains in a strong position to endure any current challenges and will continue to be a leading owner and developer of shopping centres in Ukraine.

As at 31 December 2015, Arricano has 147,800 square metres of completed assets spread across five completed shopping centres.

The market environment is still challenging and this was reflected in the total revenues in the period which decreased by 11 per cent from the prior year to USD20.4 million, while retail sales in Ukraine fell by 55 per cent in USD terms. However, occupancy across the entire portfolio increased to 96.2 per cent, up from 89.3 per cent at 31 December 2015, demonstrating that the Group continues to have a stable tenant base and the ability to attract new tenants.

Performance in the period has again been adversely affected by the continued volatility of the market environment in Ukraine. The Ukrainian Hryvnia fell by around 52 per cent against the US Dollar, and inflation in the country reached 43 per cent at the end of the year. Fortunately, Arricano remains in a stable financial position, although we do not expect to see any immediate economic recovery. However, Ukraine is set to receive around USD9 billion in funding in 2016, from key bodies such as the International Monetary Fund, and the European Union.

As at 31 December 2015, Arricano has 147,800 square metres of completed assets spread across five completed shopping centres ('SECs'). In addition, the Group also holds title rights for 14 hectares of development land divided into three specific sites which are at varying stages of development. These are in Lukianivka and Petrivka (both Kyiv), as well as Rozumovska (Odesa).

Reflecting the long-term confidence of the business, the Group confirmed plans to invest approximately USD80 million into the construction of a new SEC on Rozumovska, Odesa. The Odesa Mall is intended to be a three-level SEC and will include a major hypermarket, shops and shopping galleries, leisure and entertainment areas, with a gross leasable area of 39,200 square metres. The development is expected to create 1,100 new jobs.

During the period under review, Arricano SECs concluded 187 new lease contracts in its shopping mall network. This equated to letting 19,900 square metres of retail space, including 7,667 square metres in the course of rotation. 2015 also saw a record 39.3 million people visited Arricano SECs, reflecting well upon the image of the Company as a leading developer and operator of shopping centres in Ukraine.

It has certainly been another challenging year for Arricano and I would like to take this opportunity to thank all employees of the Group for their commitment and continued loyalty to the business. The management team has undergone a number of changes, including the appointment of Tetyana Kolesnyk as the Company's Chief Financial Officer, and Mykhailo Merkulov, Chief Executive Officer of the Company, as an Executive Director on the Board of Directors.

Ukraine represents the last sizeable real estate market in Europe that is still severely underdeveloped in terms of retail space. When the country returns to stability, this will again be a key driver of value and appeal to internal and external investors. For the time being, our focus remains on managing and improving our existing portfolio whilst also continuing to progress with development projects. The Board believes that the Company remains in a strong position to endure any current challenges and will continue to be a leading owner and developer of shopping centres in Ukraine.

Rupert Cottrell
Chairman
25 April 2016

"Innovation was the Company's motto in 2015 and the internal innovation campaign generated over 120 ideas, half of which have been implemented. 2016 is about Service."

"Innovation" year of 2015 resulted in significant outperformance in relation to the market level.

Arricano continues to make good progress, attracting new tenants, increasing occupancy alongside proactive marketing campaigns and pursuing the development of new projects.

Introduction

2015 has seen the prolongation of a difficult and volatile political environment in Ukraine. However, Arricano continues to make good progress, attracting new tenants, increasing occupancy alongside proactive marketing campaigns and pursuing the development of new projects.

Despite the challenging environment Arricano managed to significantly outperform the market level which became possible due to several factors: new professionals from the market joined the Company in key business areas, the team was reunited and motivated to reach stretch goals, internal processes have been revised and efficiency improved with the introduction of significant innovations in every business area being implemented. 'Innovation' was a Company motto for 2015, the internal innovation campaign generated over 120 ideas, half of which have been implemented in 2015.

Results

Revenues for the period were USD20.4 million (2014: USD22.8 million). As a result, the Net Operating Income ('NOI') from the operating properties was USD20.2 million compared to USD20.8 million in 2014. Decrease of NOI was driven by the reduction in revenues.

The loss before tax decreased to USD16.3million (2014: loss of USD69.6 million). This decrease was primarily by a reduction in the foreign currency translation loss which, in 2015, was USD19.2 million compared to USD49.8 million in 2014 and there was also a significant impairment charge accrued in 2014 of USD20.7 million.

The portfolio of assets was externally and independently valued as at 31 December 2015 by Expandia LLC, part of the CBRE Affiliate Network. The portfolio was valued at USD160.3 million (31 December 2014: USD205.6 million), the reduction in the value of the portfolio was due to the fall in the value of the Hryvnia and the lower income base of the portfolio.

Bank debt at the year-end was USD60.1 million, with the majority of borrowings at the project level at an average interest rate of 9.8 per cent. Loans mature between 2016 and 2020 and the Company's loan to investment property value ratio is 37.4 per cent. In addition, there was USD4.2 million of cash, cash equivalents, and restricted deposits, as at 31 December 2015.

The Market

The market environment has been tough over the last 12 months, yet the Group's five shopping and entertainment centres have continued to operate as normal every day with a record 39.3 million people visiting the SECs over the year. This is a great achievement by the Company and reflects the success of our strategy to focus on enhancing the customer experience of visiting the shopping centres.

The Company has been particularly active during the period in marketing both the SECs and the tenants that occupy them. There has also been a program initiated to redesign a number of the SECs and modernise the layout and accessibility to on-site facilities such as food courts and comfort zones. This, coupled with an increased operational efficiency, has improved the customer experience for consumers and has led to the increase in footfall numbers across the portfolio.

Tenants continue to be impacted by the economic environment and as a result churn levels remain higher than in a normal market. The Company's ability to find new tenants has been critical and during 2015, the Company signed 187 new lease contracts, including a number of significant tenants. Among these is NAMES'UA, the first ever multi-branded department store that offers Ukrainian-only brands, which opened a 2,140-square-metre store within SEC Prospect in October 2015. Other significant tenants included Poisk Home and LC Waikiki.

In terms of the new developments, the Company is progressing projects in Odesa and Lukyanivka, Kyiv. In Odesa, plans were announced in October 2015 to invest USD80 million in the development of this site, and the next stage is to complete the financing process. In Lukyanivka, development is underway and completion is expected at the end of 2017. The third development site in Petrivka (Kyiv) remains on hold currently while the management decide on the optimal strategy for development.

On 5 November 2015, the Company announced that the High Court of Justice in London had dismissed the claim filed by Stockman Interhold SA ('Stockman') seeking to overturn the declaration made in August 2014 by the London Court of International Arbitration ('LCIA') that Arricano had validly exercised the call option whereby it sought to acquire a shareholding of 50.03 per cent in Assofit Holdings Limited, previously the holding company of the Sky Mall shopping centre in Kyiv (the Company owns the other 49.97 per cent). The Group is now expecting an award of the sole arbitrator in respect of Arricano's damages claim.

While the dispute is not yet fully settled, the Company is pleased with progress so far and believes that increasing transparency and public awareness within the Ukrainian business environment is an important agenda to follow.

Outlook

Arricano continues to perform well in the context of the wider environment. To increase occupancy to 96.2 per cent during 2015 is an excellent achievement. The asset and tenant base of the business is strong and we continue to work hard to further strengthen it with focus on servicing our tenants and all visitors to our centres.

Following the 'Innovation' year of 2015, Arricano is declaring 2016 to be a 'Service' year. The Company management believes that increasing its service level to B2C and B2B customers will allow to significantly increase the loyalty and therefore the revenues. Service improvement to B2B customers will involve support to tenants in increasing their turnover, while B2C client will see changes in the product and service offers in the malls which will make them increase frequency of visits and lengths of stay in Arricano malls.

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

Mykhailo Merkulov
Chief Executive Officer
25 April 2016

Operating Portfolio

In the following section we have provided an overview of each asset in the completed portfolio.

Key statistics

- GLA – c.34,740 square metres.
- Vacancy rate as at 31 December 2015 – 2.3 per cent.
- Average monthly rental rate – USD6.70 /square metres as at 31 December 2015.
- Average monthly visitors (2015) – 0.4 million.
- Bank debt at 31 December 2015 – USD6.22 million.
- Valuation at 31 December 2015 – USD15.3 million.

Sun Gallery (Kryvyi Rih)

Sun Gallery, opened in 2008, is one of the largest shopping malls in Kryvyi Rih.

It is located at 30-Richchia Peremohy Square, in the Saksahanskyi district in the northeastern part of Kryvyi Rih. It has easy access by car and has good public transport links. The primary shopping centre catchment area includes almost the whole territory of the Saksahanskyi district and part of the Zhovtnevyi district. The secondary area covers the Dovhyntsivskyi district.

The shopping centre is on two levels, spanning a total GLA of approximately 34,740 square metres. There are approximately 80 gallery tenants, a children's entertainment zone, a food court with restaurants and cafes, a bowling alley and anchor tenants electronics store Comfy and hypermarket Auchan.

City Mall (Zaporizhzhia)

Key statistics

- GLA – c.21,480 square metres.
- Vacancy rate as at 31 December 2015 – 0.0 per cent.
- Average monthly rental rate – USD10.60 /square metres as at 31 December 2015.
- Average monthly visitors (2015) – 0.5 million.
- Bank debt at 31 December 2015 – USD10.4 million.
- Valuation at 31 December 2015 – USD19.8 million.

City Mall is one of the largest shopping centres in Zaporizhzhia with a total GLA of approximately 21,480 square metres on a single level.

The shopping centre is located on the Dnipro river approximately 3 km from Zaporizhzhia city centre, between two densely populated areas of Zaporizhzhia in the Zhovtnevyi administrative district (1b Zaporizska Street), with convenient accessibility by public and private transport.

The second phase of City Mall was opened in April 2011 and comprises a gallery with approximately 80 international and local tenants, a food court with ten restaurants, a children's entertainment zone and parking which is shared with DIY superstore Epicenter. City Mall's anchor tenants are the hypermarket Auchan, which is the largest in the city, and the electronics store Comfy.

Key statistics

- GLA – c.36,690 square metres.
- Vacancy rate as at 31 December 2015 – 5.6 per cent.
- Average monthly rental rate – USD11.70 /square metres as at 31 December 2015.
- Average monthly visitors (2015) – 0.6 million.
- Bank debt at 31 December 2015 – USD4.99 million.
- Valuation at 31 December 2015 – USD28.5 million.

South Gallery (Simferopol)

The site is located in the north of Simferopol, about five minutes' driving distance from one of the city's major crossroads, Moskovska Square.

The site is linked to the city centre and residential areas east of the city by one of the main thoroughfares of Simferopol. The primary shopping centre catchment area includes northern parts of the Kyivskyi and Zaliznychnyi districts. The secondary area covers almost the whole city, except for its very southern parts.

South Gallery shopping centre (Phases I and II) is situated on a land plot with a total area of 10.2 hectares. Phase I of the shopping centre tenants include Auchan (international hypermarket chain) and a Comfy electronics store, with a small gallery. With the completion of Phase II in February 2014 the mall is now a regional destination shopping centre with a total GLA of 36,690 square metres.

Key statistics

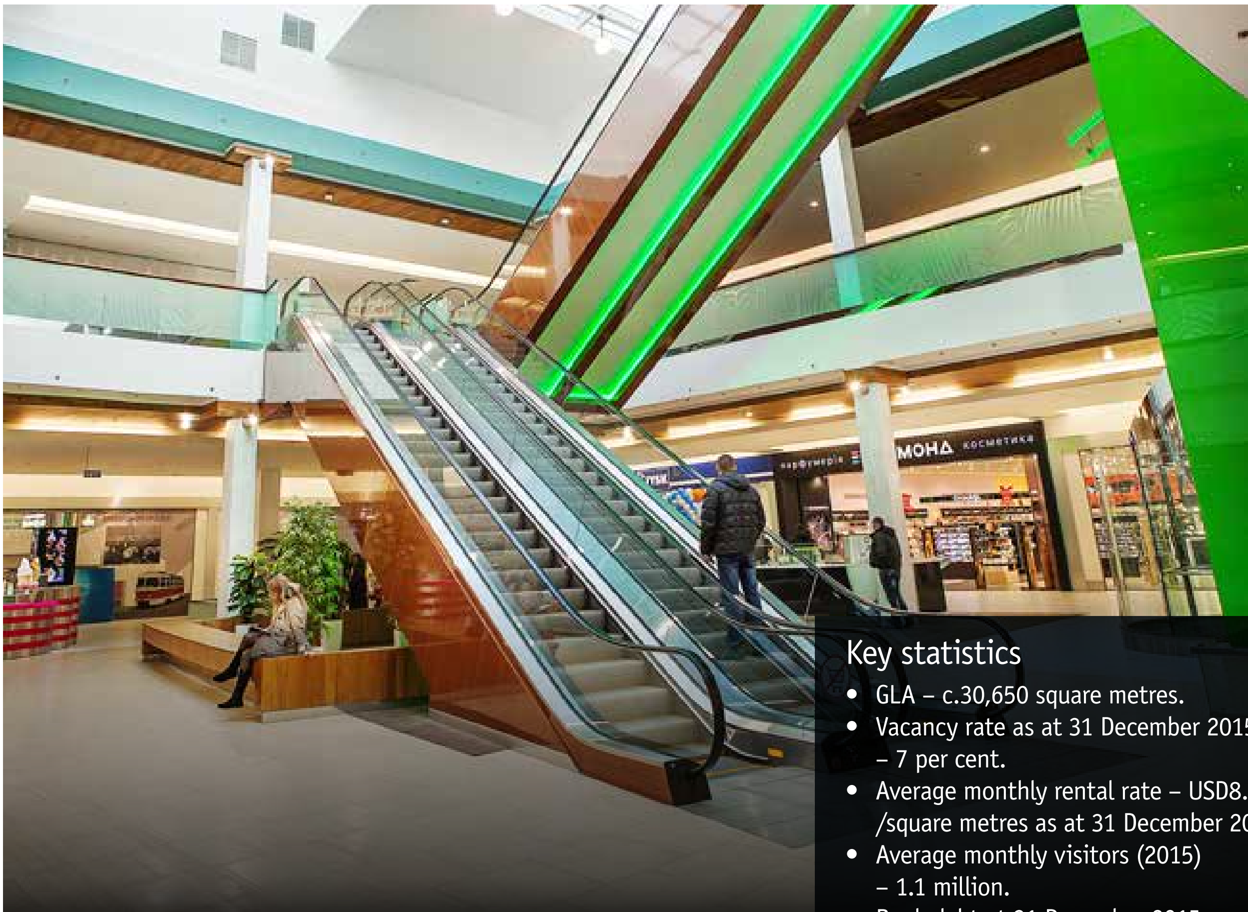
- GLA – c.24,250 square metres.
- Vacancy rate as at 31 December 2015 – 3.53 per cent.
- Average monthly rental rate – USD12.70 /square metres as at 31 December 2015.
- Average monthly visitors (2015) – 0.5 million.
- Bank debt at 31 December 2015 – USD20.2 million.
- Valuation at 31 December 2015 – USD24.5 million.

RayON (Kyiv)

The RayON shopping centre was opened to the public in August 2012.

The shopping centre is located in the north east of Kyiv along the left bank of the Dnipro River, with satisfactory transportation links. The shopping centre has a GLA of approximately 24,250 square metres on two levels, with approximately 860 parking spaces. The concept for RayON is a district shopping centre, which focuses on food, clothing and convenience products. The shopping centre is anchored by a Silpo foods supermarket, one of the biggest supermarket chains in Ukraine and a member of the Fozzy group. Electronics supermarket Comfy also operates within the shopping centre.

RayON has several restaurants and a children's entertainment zone to complement the retail facilities. RayON is located in the middle of the Desnjanski district, one of the most densely populated areas in Kyiv, with an estimated catchment area of approximately 170,000.



Key statistics

- GLA – c.30,650 square metres.
- Vacancy rate as at 31 December 2015 – 7 per cent.
- Average monthly rental rate – USD8.50 /square metres as at 31 December 2015.
- Average monthly visitors (2015) – 1.1 million.
- Bank debt at 31 December 2015 – USD18.26 million.
- Valuation at 31 December 2015 – USD26.0 million.

Prospect (Kyiv)

SEC Prospect is located directly on the inner ring road of Kyiv on the left bank of the Dnipro river in the Desnianskyi administrative district.

SEC Prospect has good automobile accessibility and public transport links. The area is already recognised as a popular shopping destination, located close to a large open-air market and a bazaar-style shopping centre (SC Darinok).

The SEC consists of a two-storey retail and leisure complex with a total gross building area of approximately 41,650 square metres (excluding roof and surface parking and the hypermarket building referred to below) and a GLA of approximately 30,650 square metres and parking.

Development Properties

Lukianivka (Kyiv)

The Lukianivka development property is located on the right bank of Kyiv in the Shevchenkivskyi administrative district. The land plot has a total area of 4.14 hectares. The Group is planning to construct its flagship shopping centre here in the central business district of Kyiv, with a more upmarket vision in terms of the concept and tenant mix. The Lukianivka development property allows for the construction of a multi-use complex, consisting of a shopping and leisure centre including, inter alia, a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court and a service area. The property would also have two underground parking levels and one seven-storey residential building, construction of which will continue after completion of the shopping centre. It is expected that the GLA of the shopping and entertainment centre would be approximately 47,000 square metres. The Group obtained the relevant construction permit in June 2013.

Land plot:	4.14 hectares
Title:	Leasehold title plus title to several buildings (historical landmarks) on the site
Development:	Retail, leisure and entertainment centre
Gross construction area (GBA):	c.69,300 square metres for the shopping centre (plus c.45,500 square metres GBA for parking)
Gross leasable area (GLA):	c.47,000 square metres
Parking spaces:	To include roof parking and two underground parking levels
Type:	City shopping centre (pocket hypermarket anchored) with residential
Actual construction start date:	Q4 2013
Forecast opening date:	Q4 2017

Rozumovska (Odesa)

The Black Sea port of Odesa is Ukraine's fourth largest city, with over one million inhabitants, and is a popular leisure destination. The Rozumovska development property is located partly on the façade of Rozumovska Street close to its intersection with Balkovska Street, in the Malynovskyi administrative district of Odesa, in close proximity to public transportation links. The site is located opposite the city's main bus station. Rozumovska Street connects directly to the highway to Kyiv.

The Group has signed a lease agreement for the land plot with a total area of 4.5 hectares. The Rozumovska development property is expected to be a three-storey shopping and entertainment centre with a sufficient number of parking spaces to accommodate customer demand. The target GLA is approximately 39,200 square metres, including a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court restaurants and a service area. The preliminary design concept of the project has been completed and the developer is currently applying for the relevant consents and permits, given current market conditions.

Land plot:	4.5 hectares
Location:	Odesa
Title:	Leasehold
Development:	Retail, leisure and entertainment centre
Gross construction area (GBA):	c.48,870 square metres
Gross leasable area (GLA):	39,200 square metres
Parking spaces:	1,400
Type:	Regional mall (hypermarket anchored)
Expected construction start date:	To be defined
Forecast opening date:	To be defined

Petrivka (Kyiv)

The Petrivka development property is located on the right bank of the Dnipro river in Kyiv, in the Obolonskyi administrative district. The site has an area of 5.4 hectares. The Group is currently considering the best use of the site, which could include both residential and retail use.

Investment

Sky Mall (Kyiv)

Sky Mall is one of the largest shopping centres in Kyiv, built to an award-winning design by the international architectural firm Chapman Taylor. It is home to top-quality brands, which include topshop and Marks & Spencer, and anchored by the hypermarket Auchan, Comfy and stores of the Inditex Group. The first phase of the shopping centre (hypermarket) opened in 2007 and the second phase of the development opened in August 2010. It is located in the Dniprovskyi district of Kyiv on Vatutina Avenue, on the left bank of the Dnipro River. The shopping centre has good motor vehicle access and public transport links.

The GLA of the current operating centre (Phases I and II) is approximately 68,000 square metres, with approximately 1,880 parking spaces. The shopping centre spans three levels with a cinema, children's and entertainment zone, food court, hypermarket and gallery shops.

The Company currently owns only 49.97 per cent of Assofit Holding Limited, which earlier acted as the holding company of the Sky Mall Shopping and Entertainment Centre. Taking into consideration that the holding was stripped down of its main asset in 2014, Arricano is taking all possible legal measures to return the property and acquiring the remaining interests from the other party.

Key Statistics

- Arricano ownership – 49.97 per cent in Assofit.
- GLA – c.68,000 square metres.

The Company's revenue mainly consists of rental income from the portfolio of the completed properties. Significant reduction of expenditures and a further implementation of effective control over finances, led to substantial growth of profit from operating activities and helped us maintain the process of sustainable development.

In 2015, the total fair valuation of the Company's portfolio was USD160.3 million as at 31 December 2015 (2014: USD205.6 million).

The Company's revenue mainly consists of rental income from the portfolio of the completed properties. During the year ended 31 December 2015 the Company's rental income amounted to USD20.4 million (2014: USD22.8 million).

In 2015, the total fair valuation of the Company's portfolio was USD160.3 million as at 31 December 2015 (2014: USD205.6 million). The change once again reflected the decrease in USD revenue forecasts due to discounts provided to tenants and the increased yields applied at valuation that have changed with the market conditions and perceived security risks.

The Company continues to work to reduce the cost base to help offset the reduction in revenues and operating expenses during the period were USD15.6 million, compared to USD50.9 million in the previous year.

As a result of the above, profit from operating activities has increased by 80 per cent to USD18.9 million (2014: USD10.5 million). Excluding the effect of the revaluation of the property portfolio and one off allowance for bad debts, operating profit increased by 21%.

Despite the devaluation of the Hryvnia, foreign exchange losses on monetary items that form part of the net investment in the foreign operation, net of tax effect were USD80.8 million (2014: USD146.5 million) due to the devaluation of the Ukrainian national currency.

The loss before tax decreased to USD16.3million (2014: loss of USD69.6 million). This decrease was primarily by a reduction in the foreign currency translation loss which, in 2015, was USD19.2 million compared to USD49.8 million in 2014 and there was also a significant impairment charge accrued in 2014 of USD20.7 million.

Bank debt at the year-end was USD60.1 million, with the majority of borrowings at the project level at an average interest rate of 9.8 per cent. Loans mature between 2016 and 2020 and the Company's loan to investment property value ratio is 37.4 per cent. In addition, there was USD4.2 million of cash, cash equivalents, and restricted deposits, as at 31 December 2015.

Net finance expenses in 2015 decreased by USD44.9 million as a result of the reduction in foreign exchange losses in the period, as well as there being no further impairment of available-for-sale financial assets.

The Company's net loss for the year ended 31 December 2015 was USD20.4 million (2014: USD78.6 million). There was a decrease in foreign exchange losses from the prior year and also a reduction in employee and operational costs which contributed to this improved figure.

Net Asset Value as at 31 December 2015 was USD3.1 million (2014: USD61.7 million), resulting in an Adjusted Net Asset Value per Share of USD0.03 (2014: USD0.59). The decrease in NAV was driven primarily by the impact of the foreign exchange losses, as well as an increase in the accumulative deficit accrued from losses in prior years.

Total assets, as at 31 December 2015, amounted to USD173.2 million (2014: USD239.9 million), a decrease of 27.8 per cent from the previous year. This mainly related the decrease in investment property value, as well as the selling of land in the portfolio.

Cash balances as at 31 December 2015 including cash equivalents and both current and long-term deposits amounted to USD4.2 million (2014: USD3.1 million).

In July 2015, the Group signed a new loan agreement with PJSC 'Raiffeisen Bank Aval' ('PJSC') for the total amount of UAH255.1 million, equivalent to USD11.8 million as at the date of the agreement. This was used to refinance the existing loan with PJSC, which was negotiated at less favourable terms in 2014.

In December 2014, the Group concluded a new loan agreement with the EBRD for the facility of USD25 million to refinance an existing loan due to Oshchadbank and to repay amounts due to constructors. In March 2015, the Group obtained the first tranche of USD10 million. In April 2015, the Group obtained the second tranche of USD9 million.

EBRD providing financing in spring 2015 was an unique event in this business environment, one which highlights the special trust the Company has with its financial partners.

As at 31 December 2015, the Company had USD105 million of outstanding borrowings.

Tetyana Kolesnyk
Chief Financial Officer
25 April 2016

"EBRD providing financing in spring 2015 was an unique event in this business environment, one which highlights the special trust the Company has with its financial partners."

Directors' Report

The Board of Directors of Arricano Real Estate PLC (the 'Company') submits to the members the Directors' Report and presents the audited consolidated financial statements of the Company and its subsidiary companies (the Company and its subsidiaries together referred to as the 'Group') for the year ended 31 December 2015.

Principal Activities

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

Review of Developments, Position and Performance of the Group's Business

The Company is the owner of the entities owning and operating five trade centres with total gross leasable area ('GLA') of 147,800 square metres, located in Kyiv, Simferopol, Zaporizhzhia and Krivyi Rig, the Group also owns title rights for 14 hectares of development land divided into three specific sites which are at varying stages of development.

During the year ended 31 December 2015 the Group incurred positive cash flows from operating activities amounting to USD7,352 thousand (2014: USD5,496 thousand). The Group has negative working capital of USD105,026 thousand (as at 31 December 2014: USD84,208 thousand). During the year ended 31 December 2015 the Group was not only involved in construction of trade centre in Kyiv, but also repaid constructing debts (payables) due to Group's contractors in connection with completion of Prospekt SEC, which required significant financing and resulted in negative cash flow from investing activity of USD8,732 thousand. Development and construction of trade centre in Kyiv was mainly financed using cashflows from operating activity, while the construction debt (payables) were financed at the expense of external financing, received by respective project company. In December 2014 the Group entered to a new loan agreement with the EBRD for total amount of USD25,000 thousand. In March 2015 the Group received a first tranche of USD10,000 thousand that was used for settlement of the loan payable to Oshchadbank. In April 2015, the Group received a second tranche of USD9,000 thousand, which was used to repay construction payables, as stated above. In July 2015, the Group signed new loan agreement with PJSC 'Raiffeisen Bank Aval' for the total amount of UAH255,053 thousand (equivalent of USD11,826 as at the date of the agreement) in order to refinance the existing loan due to PJSC 'Raiffeisen Bank Aval' denominated in USD.

During the year ended 31 December 2015 the Group incurred a net loss of USD20,379 thousand (2014: net loss of USD78,596), and had a positive equity of USD3,050 thousand (as at 31 December 2014: USD61,654 thousand).

Future Developments of the Group

2016 is likely to be another challenging year for the business from the perspective of the economic and political situation in Ukraine. During 2016 the Group plans to continue development of the shopping in Lukianivka (working name of the project) that is located in Kyiv with GLA of 47,000 square metres.

Longer term, the Group plans to develop the Odesa Mall trade centre (working name of the project) that is located in Odesa, with a land plot of 4,5598 hectares and a gross leasable area of 39,200 square metres. The development is expected to create 1,100 new jobs.

In accordance with the Group's investment policy only commercial property (trade and entertainment centres) will be included in the project pipeline. Investment property will be located only in Kyiv and other big cities.

Main Risks and Uncertainties

The principal risks and uncertainties faced by the Group, together with the Group's projects, policies and processes for measuring and managing those risks, are disclosed in note 22 of the consolidated financial statements.

Results and Dividends

The Group's results for the year are set out in the Consolidated Statement of profit or loss and other comprehensive income. The Directors are not recommending the payment of a dividend and the net loss for the year is carried forward.

Share Capital

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

Board of Directors

The members of the Company's Board of Directors as at 31 December 2015 and at the date of this report are presented on page 16. All of them were members of the Board of Directors throughout the year ended 31 December 2015. The remuneration of the Board of Directors for the year ended 31 December 2015 amounted to USD153 thousand (2014: USD236 thousand).

The Audit Committee comprises of three non-executive directors. It is chaired by Mr. Michael Zampelas, and Mr. Philip Scales and Mr. Raul Parusk are the other members. The Remuneration Committee comprises of three non-executive directors. It is chaired by Mr. Philip Scales, and Mr. Michael Zampelas and Mr. Volodymyr Tymochko are the other members.

Events after the Reporting Date

The material events after the reporting date, which have an effect on the understanding of the consolidated financial statements, are disclosed in note 25 of the consolidated financial statements.

Branches

During the year ended 31 December 2015, the Company did not operate any branches.

Independent Auditors

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

By order of the Board of Directors,

Chairman
Limassol,
25 April 2016

Board of Directors

Rupert Cottrell
Independent Non-Executive Chairman

Rupert has developed an extensive network of relationships in CEE as a result of a number of board positions that he has held. Rupert is the former chairman of the supervisory board of A.S. Magnum Medical, a pan Baltic pharmaceutical group; a former director of New European Investments Limited, a closed private investment fund targeting Eastern European companies; and was a former Chairman of Carpathian plc, an AIM-listed Eastern European commercial property fund, a subsidiary of which built The Galleria Shopping Mall in Riga.

He was previously a non-executive director of The PFI Infrastructure Company plc, an AIM listed infrastructure fund that was taken private in 2007, and was non-executive chairman of Infrastructure India plc, an AIM-listed infrastructure fund focused on India (before Guggenheim acquired a majority stake) and Diamond Circle Capital plc, listed on the Main Market of the London Stock Exchange. Rupert's background in financial services includes executive director positions at a number of London investment management firms and four years as a director of the Financial Intermediaries, Managers and Brokers Regulatory Association ('FIMBRA') a financial regulator that is now part of the FCA. Rupert is a Fellow of the Chartered Securities Institute.

Philip Scales
Independent Non-Executive Director

Philip is managing director of IOMA Fund and Investment Management Limited ('IOMA'), part of the IOMA Group. IOMA specialises in the provision of third-party fund administration and investment management services. Prior to this, Philip spent 18 years as managing director of Northern Trust International Fund Administration Services (Isle of Man) Limited (formerly Barings (Isle of Man) Limited). He has over 35 years' experience working offshore, primarily in corporate and mutual fund administration, and currently holds a number of directorships of listed companies.

IOMA provides secretarial and administrative services to 13 listed companies, including East Balkan Properties Plc, Metro Baltic Horizons Plc and Unitech Corporate Parks Plc. Philip is a Fellow of the Institute of Chartered Secretaries and Administrators.

Michael Zampelas
Independent Non-Executive Director

Michael, together with his associates, established Coopers & Lybrand in Cyprus and Athens in 1970. He served the firm as its Chairman and Chief Executive Officer from its establishment in 1970 until 2001 (latterly as PricewaterhouseCoopers) and as a Non-executive Chairman from 2002 until 2005. He also served as an elected member of the board of the European Organisation of Coopers & Lybrand Europe from 1991 to 1999. Michael served as chairman of the board of a number of local government authorities and companies. Currently, he is the independent non-executive Vice Chairman of Eurobank Cyprus Limited and the independent Non-Executive Chairman of the Russian transport company, Globaltrans Investment Plc, listed on the Main Market of the London Stock Exchange.

He was Mayor of Nicosia from 2002 to 2006. Since 1997, he has been the Honorary Consul General of Estonia in Cyprus, contributing to the development of the commercial and cultural relations between the two countries. He has played a significant role in the promotion of education, culture, community affairs and business in Cyprus. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mykhailo Merkulov
Executive Director, Chief Executive Officer

Mykhailo Merkulov graduated from Romano-Germanic Philology Department of Kharkov State University in 1996, and received an MBA from Manchester Business School in the UK in 2007.

Mykhailo has 16 years' experience across different industries operating in Central and Eastern Europe countries (Ukraine, Russia, Bulgaria, Serbia, Slovenia and Austria). His career started in 1996 when he joined McDonald's, in Ukraine, where he worked for nine years on various middle-level and, later, top management positions. After nine years of being with McDonald's, Mykhailo joined Food Star (Russia) in the capacity of Chief Executive Officer. In 2007 Mykhailo joined Erste Group Immorent AG in Ukraine, a specialist in real estate financing, infrastructure financing and project development, as Managing Director. In 2011 he became Regional Director for the Eastern European Group (Ukraine, Poland, Bulgaria, Serbia, and Slovenia).

As of September 8, 2014, Mykhailo Merkulov has been appointed to the position of the Chief Executive Officer of Arricano Real Estate plc and as of 16 April 2015 was appointed to hold the position of the Executive Director of the Board. His competence covers strategic planning and the Company's business operations control.

Volodymyr Tymochko
Non-Executive Director

Volodymyr Tymochko is a Managing Director, Private Equity, and a partner at Dragon Capital. At this position he is responsible for investment management of DUPD – an AIM-listed property investment company with ten active real estate projects in Ukraine. In 2007, Volodymyr was appointed a director at Dragon Asset Management ('Dragon AM'), where he was in charge of deal sourcing and management of DUPD's real estate projects. Prior to joining Dragon AM Volodymyr was an Associate Director for Consulting and Investment Services at Colliers International.

Volodymyr graduated from the National University of 'Kyiv-Mohyla Academy' and holds an MA degree in Economic Theory.

Raul Parusk
Non-Executive Director

Raul Parusk, an Estonian national, has an extensive background in banking and finance having held senior positions at Bank of Tallinn and then Hansapank, a large regional financial group, where he oversaw its operations in Estonia and Lithuania. Following this, Raul was chief executive of two industrial companies (one in Canada and one in Estonia) and then in 2007 he was appointed as chief executive of Expert Capital Management, providing the management services to Expert Capital Group, which is 100 per cent owned by Hillar Teder, founder and a significant shareholder of Arricano.

Senior Management

Mykhailo Merkulov
Chief Executive Officer

Mikhail Merkulov graduated from Romano-Germanic Philology Department of Kharkov State University in 1996, and received an MBA from Manchester Business School in the UK in 2007.

Mikhail has 17 years' experience across different industries operating in Central and Eastern Europe countries (Ukraine, Russia, Bulgaria, Serbia, Slovenia and Austria). His career started in 1996 when he joined McDonald's, in Ukraine, where he worked for 9 years on various middle-level and, later, top management positions. After nine years of being with McDonald's, Mikhail joined Food Star (Russia) in the capacity of Chief Executive Officer. In 2007 Mikhail joined Erste Group Immorent AG in Ukraine, a specialist in real estate financing, infrastructure financing and project development, as Managing Director. In 2011 he became Regional Director for the Eastern European Group (Ukraine, Poland, Bulgaria, Serbia, and Slovenia).

September 8, 2014, Mikhail Merkulov has been appointed to the position of the Chief Executive Officer of Arricano Real Estate plc. His competence covers strategic planning and the company's business operations control.

Tetyana Kolesnyk
Chief Financial Officer

Tetyana Kolesnyk received a master's degree in Finance at the Odessa National Economic University. Since 2011, she has been a member of the Association of Chartered Certified Accountants (ACCA).

Ms. Kolesnyk has 12 years' experience in accounting and taxation, accounting and reporting in accordance with IFRS, international audit, planning and budgeting. During her professional activity, she has occupied various positions in a number of companies, in particular at joint enterprise "Vitmark-Ukraine" (one of the leading producers of juices and baby formula in Ukraine). In 2007-2010, before joining the Arricano team, Tetyana Kolesnyk worked at the Kiev office of "Ernst & Young": first as an auditor, and then as a senior auditor (Project Manager).

In November 2010, Tetyana was appointed as Head of Department of Planning and Reporting of Arricano. In December 2013, Ms. Kolesnyk was appointed the Acting Chief Financial Officer of the Company. Since September 2015 she has held the role of Chief Financial Officer. Her competencies include the Company's finance management and organization of work of the Financial Department as well as planning, financial analysis and forecasting of the activities of the Company.

Svetlana Renkas
Head of Legal Department (Residents)

In 2004 Svetlana Renkas graduated with honours from the Legal Department of the Kiev National University and received the degree of Master of Laws.

Svetlana has a ten-year track record in legal practice in the areas of land, civil, economic, investment, corporate and adjective law. She also worked in the capacity of civil servant.

Since 2010 Svetlana has been concentrating her efforts on retail legal practice and has been part of Arricano team since 2012.

Ms Renkas' main activities are focused on ensuring smooth and efficient legal operations of Arricano Group in Ukraine.

Jaanus Saarlaid
Director of Operations and Maintenance

Jaanus Saarlaid was born in Estonia, in 1997 he received a Bachelor's Degree in Economics from the International University of Social Sciences Lex.

Mr Saarlaid possess considerable experience in commercial real estate development in Estonia and Ukraine, in particular, in 2001-2005 he was CEO of the largest SEC in Estonia, 16-storey business centre Rocca al Mare and he was coordinating its construction. In 2005-2009 he worked as Development Director for AS United Capital, which owned three SECs in Tallinn and five Audi and Peugeot showrooms in the Baltic countries.

Since 2011, Jaanus Saarlaid worked as Projects Leader for Arricano in Ukraine. In June 2014, Mr Saarlaid has been appointed Director of Operations and Maintenance, he will be in charge of arranging operations and maintenance, as well as modernization of Arricano's SEC network.

Nataliya Dmytrenko
Chief Marketing Officer

Nataliya joined Arricano as Head of Marketing in April 2015. She has more than ten years of experience in the marketing of commercial real estate, developing successful projects and long term marketing strategies, working as a marketing consultant. Prior to Arricano Nataliya was Chief Marketing Officer for a group of companies developing one of the most challenging realty projects in Kiev – Darynok marketplace. In her previous career in property management Nataliya started in 2003 as a Commercial Director of Alta Centre, one of the first Ukrainian shopping malls. As an experienced and results-orientated manager, her key challenges are to enhance the marketing communication and implement efficient marketing tools in malls' management.

Nataliya graduated from the Institute of foreign languages, Gorlivka, and later received degree in Economics and Marketing in European University and MIM, Kyiv.

Tatyana Burkatskaya
Business Development Director

Tatyana Burkatskaya graduated from Kyiv National Economic University, with a specialty in finance and credit, in 1983. In 1995, she has completed her specialized training on taxation at the Institute of International Relations (Kyiv). In 2002, Ms. Burkatskaya completed the Efficient Company Management course at the International institute of business.

The professional biography of Tatyana Burkatskaya includes more than 20 years of successful work on executive positions in the retail sector. In 1998, Tatyana became Deputy Financial Director of the leading Ukrainian retail network ARGO RETAIL NETWORKI In 2000 she became the Commercial Director and in 2008, the Development Director of the Company.

Since October 2010, Tatyana had held a position of Chief Operating Officer (COO) at Arricano. Her obligations include management and supervision of the activities of all the shopping-and-entertainment centres as well as development of new projects of the Company.

In 2014 Tatiana was appointed as the Business Development Director. She is responsible for the corporate strategic development planning, negotiating and attracting to the market retail operators that are new to Ukraine, and representing Arricano in international retail, investment, and development exhibitions.

Viktoriya Balyuk
Head of Legal Department (Non-residents)

Viktoriya received a Master of International Law degree with honors from the Institute of International Relations of the Kyiv National Taras Shevchenko University, as well as Bachelor of International Relations degree with honors from the same school.

Ms. Viktoriya Balyuk has extensive experience in providing full scale legal support to foreign and Ukrainian entities in the sectors of M&A, corporate, compliance, finance and securities, project finance, real estate and construction. For the past 10 years Ms. Viktoriya Balyuk has occupied various positions in leading law firms. Ms. Balyuk has joined Arricano Group as Deputy Head of Legal Department in 2012.

In December 2013, Ms. Viktoriya Balyuk was appointed to the position of Head of Legal Department (Non-Residents) of Arricano Group. Her responsibilities include managing the Legal Department (Non-Residents) and supervising the Group's external activity and cooperation with all foreign legal entities and all finance institutions, compliance, control over the corporate activity of non-resident companies of the Group, rendering full scope legal support to financial department of the Group, Board of Directors, meeting of Shareholders and Management.

Olexander Nemer
Director of IT Department

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

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

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

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

Anna Chubotina
Director of Retail Leasing Department

Anna Chubotina has assumed the office of Arricano Director of Retail Leasing Department from March 2016. Management of Leasing Department, development and implementation of plan package for optimization of business processes of retail space lease with a view to increase the company's profitability, creation and implementation of shopping malls' development strategies, efficient work with the existing tenants and involvement of new ones are key areas of Anna's work.

Anna came to Arricano from JLL Ukraine where she held the office of Retail Space Department Head.

She has been working for over 15 years in the field of commercial real estate 9 of which were at JLL Ukraine. Anna's professional portfolio includes working with such large players of retail property market as SvitLand Ukraine, King Cross & Komfort Invest, Arricano Real Estate, DCH Real Estate, Kray Property and such projects as Décor Service national furniture and décor network, Sky Mall shopping mall, Prospekt shopping mall, MFC Silver Breeze, Magellan shopping mall, Victoria Gardens shopping mall and others.

Anna graduated from Romano-Germanic Philology and Foreign Literature faculty of M. P. Dragomanov National Pedagogical University. Then she obtained degrees in Economics and Marketing at Kyiv National University of Trade and Economics.

Nikolay Yakimenko
Acting Head of Development

Nikolai Yakimenko joined Arricano team in 2010 as the head of projects and programs. He was responsible for the construction works in the lease areas during Sky Mall shopping center construction, and he also managed RayON shopping center project. In 2012, Nikolai was appointed to the position of the head of the Lukianivka project. Since February 2016, Mr. Yakimenko has been working in the position of acting head of development. Before joining Arricano, Nikolai worked as a project portfolio manager in the sphere of commercial real estate in one of Ukrainian equity investment companies. Nikolai's career in the field of commercial real estate started in 2005 in the position of regional development manager of the network operator of Amstor grocery hypermarkets in the Smart-Holding group of companies.

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

Independent Auditors' Report

To the Members of Arricano Real Estate PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Arricano Real Estate PLC (the "Company") and its subsidiaries (together with the Company, referred to as "the Group") on pages 22 to 62 which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal controls as the Board of Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Arricano Real Estate PLC as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

Without qualifying our opinion we draw you attention to the following:

1. To Note 1(b) to the consolidated financial statements, which describes the political and social unrest and regional tensions in Ukraine that started in November 2013 and escalated in 2014 and afterwards. The events referred to in Note 1(b) have adversely affected the Group and could continue to adversely affect the Group's results and financial position in a manner not currently determinable.
2. To Note 2 (e) to the consolidated financial statements, which describes the liquidity position of the Group and measures that management is taking in order to ensure that the Group will continue operations on a going concern basis. During the year ended 31 December 2015 the Group incurred a net loss of USD20,379 thousand, and at that date, its current liabilities exceeded its current assets by USD105,026 thousand. These conditions, along with other matters set forth in Note 1 (b), indicate the existence of a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern.
3. Notes 4 and 23 (d) (ii) to the consolidated financial statements, which describe that, as at 31 December 2015, the Group was involved as a defendant in a lawsuit in respect of nullifying lease rights of the subsidiary for the land plot with a carrying amount of USD4,937 thousand and nullifying the state authority's permits for the construction on the land. The ultimate outcome of the matter cannot be currently determined.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of those books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 14 to 15 is consistent with the consolidated financial statements.

Other matter

This report, including the opinion presented herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving the aforementioned opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

KPMG Limited
Certified Public Accountants and Registered Auditors
11, June 16th 1943 Street
3022 Limassol
Cyprus
25 April 2016

Consolidated Statement of Financial Position

as at 31 December 2015

(in thousands of USD)	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Investment property	4	**160,310**	205,552
Long-term loans receivable	5	**–**	1,562
Long-term VAT recoverable	6	**3,364**	6,575
Property and equipment		**230**	433
Intangible assets		**36**	33
Restricted deposits	9	**–**	897
Total non-current assets		**163,940**	215,052
Current assets			
Inventories		**3**	3
Trade and other receivables	7	**890**	1,331
Loans receivable	5	**347**	8,790
Prepayments made and other assets		**952**	576
VAT recoverable	6	**1,086**	2,273
Assets classified as held-for-sale	8	**1,804**	9,702
Restricted deposits	9	**800**	1,385
Cash and cash equivalents	9	**3,349**	832
Total current assets		**9,231**	24,892
Total assets		**173,171**	239,944

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 28 to 62.

(in thousands of USD)	Note	31 December 2015	31 December 2014
EQUITY AND LIABILITIES			
Equity	10		
Share capital		**67**	67
Share premium		**183,727**	183,727
Non-reciprocal shareholders contribution		**59,713**	59,713
Accumulated deficit		**(48,466)**	(28,087)
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(130,008)**	(91,783)
Total equity		**3,050**	61,654
Non-current liabilities			
Long-term borrowings	12	**38,501**	52,734
Advances received	15	**556**	1,158
Finance lease liability	13	**9,933**	8,128
Trade and other payables	14	**3,988**	5,558
Other long-term liabilities	16	**80**	141
Deferred tax liability	21	**2,806**	1,471
Total non-current liabilities		**55,864**	69,190
Current liabilities			
Short-term borrowings	12	**66,385**	44,222
Trade and other payables	14	**20,291**	37,221
Taxes payable		**676**	163
Advances received	15	**4,539**	6,153
Current portion of finance lease liability	13	**4**	2
Other liabilities	16	**22,362**	20,412
Liabilities classified as held for sale		**–**	927
Total current liabilities		**114,257**	109,100
Total liabilities		**170,121**	178,290
Total equity and liabilities		**173,171**	239,944

These consolidated financial statements were approved by management on 25 April 2016 and were signed on its behalf by:

Michael Zampelas
Chairman of the Audit Committee,
Non-Executive Director

Mykhailo Merkulov
Chief Executive Officer,
Executive Director

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 28 to 62.

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2015

(in thousands of USD, except for earnings per share)	Note	2015	2014
Revenue	17	**20,383**	22,791
Other income		**204**	420
Gain on revaluation of investment property	4,8	**16,396**	42,250
Goods, raw materials and services used	18	**(785)**	(809)
Operating expenses	19	**(15,572)**	(50,898)
Employee costs		**(1,640)**	(3,013)
Depreciation and amortisation		**(118)**	(276)
Profit from operating activities		**18,868**	10,465
Finance income	20	**949**	6,071
Finance costs	20	**(36,088)**	(86,119)
Loss before income tax		**(16,271)**	(69,583)
Income tax expense	21	**(4,108)**	(9,013)
Net loss for the year		**(20,379)**	(78,596)
Items that will be reclassified to profit or loss:			
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect		**(80,745)**	(146,523)
Foreign currency translation differences		**42,520**	55,252
Total items that will be reclassified to profit or loss		**(38,225)**	(91,271)
Other comprehensive loss		**(38,225)**	(91,271)
Total comprehensive loss for the year		**(58,604)**	(169,867)
Weighted average number of shares (in shares)	11	**103,270,637**	103,270,637
Basic and diluted loss per share, USD		**(0.19734)**	(0.76107)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 28 to 62.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

(in thousands of USD)	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(16,271)**	(69,583)
Adjustments for:			
Finance income	20	**(949)**	(6,071)
Finance costs, excluding foreign exchange loss	20	**16,913**	15,573
Gain on revaluation of investment property	4, 8	**(16,396)**	(42,250)
Gain on disposal of assets classified as held-for-sale		**(49)**	–
Impairment of available-for-sale financial assets		**–**	20,727
Depreciation and amortisation		**118**	276
Unrealised foreign exchange loss		**18,714**	49,457
VAT recoverable written-off	19	**426**	1,096
Allowance for bad debts	19	**10,617**	42,625
Operating cash flows before changes in working capital		**13,123**	11,850
Change in inventories		**1**	(19)
Change in trade and other receivables		**(221)**	(1,408)
Change in prepayments made and other assets		**(639)**	(14)
Change in VAT recoverable		**1,365**	3,498
Change in taxes payable		**530**	–
Change in trade and other payables		**(343)**	2,827
Change in advances received		**290**	(176)
Change in other liabilities		**(13)**	23
Income tax paid		**(522)**	(192)
Interest paid		**(6,219)**	(10,893)
Cash flows from operating activities		**7,352**	5,496
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment property, excluding capitalised borrowing costs, and settlements of payables due to constructors		**(10,078)**	(1,865)
Acquisition of property and equipment		**(223)**	(447)
Loans granted		**–**	(65)
Loans repaid		**9**	136
Change in VAT recoverable		**(152)**	(4,907)
Placement of the restricted deposit		**(1,471)**	(1,020)
Repayment of the restricted deposit		**2,865**	–
Interest received		**318**	103
Cash flows used in investing activities		**(8,732)**	(8,065)

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 28 to 62.

Consolidated Statement of Cash Flows continued

for the year ended 31 December 2015

(in thousands of USD)	Note	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings, net of transaction costs		**34,936**	19,332
Repayment of borrowings		**(30,183)**	(25,646)
Finance lease payments		**(532)**	(940)
Cash flows from (used in) financing activities		**4,221**	(7,254)
Net increase (decrease) in cash and cash equivalents		**2,841**	(9,823)
Cash and cash equivalents at 1 January		**832**	11,840
Effect of movements in exchange rates on cash and cash equivalents		**(324)**	(1,185)
Cash and cash equivalents at 31 December	9	**3,349**	832

Non-Cash Movements

During the year ended 31 December 2015, acquisition of investment property of USD1,925 thousand was financed through finance leases (2014: USD3,334 thousand).

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 28 to 62.

Consolidated Statement of Changes in Equity

as at and for the year ended 31 December 2015

(In thousands of USD)	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings (accumulated deficit)	Other reserves	Foreign currency translation differences	Total
	Attributable to equity holders of the parent						
Balances at 1 January 2014	67	183,727	59,713	50,509	(61,983)	(512)	231,521
Total comprehensive income (loss) for the year							
Net loss for the year	–	–	–	(78,596)	–	–	(78,596)
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect	–	–	–	–	–	(146,523)	(146,523)
Foreign currency translation differences	–	–	–	–	–	55,252	55,252
Total other comprehensive loss for the year	–	–	–	–	–	(91,271)	(91,271)
Total comprehensive loss for the year	–	–	–	(78,596)	–	(91,271)	(169,867)
Balances at 31 December 2014	67	183,727	59,713	(28,087)	(61,983)	(91,783)	61,654

(In thousands of USD)	Share capital	Share premium	Non-reciprocal shareholders contribution	Accumulated deficit	Other reserves	Foreign currency translation differences	Total
	Attributable to equity holders of the parent						
Balances at 1 January 2015	67	183,727	59,713	(28,087)	(61,983)	(91,783)	61,654
Total comprehensive income (loss) for the year							
Net loss for the year	–	–	–	(20,379)	–	–	(20,379)
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect	–	–	–	–	–	(80,745)	(80,745)
Foreign currency translation differences	–	–	–	–	–	42,520	42,520
Total other comprehensive loss for the year	–	–	–	–	–	(38,225)	(38,225)
Total comprehensive loss for the year	–	–	–	(20,379)	–	(38,225)	(58,604)
Balances at 31 December 2015	67	183,727	59,713	(48,466)	(61,983)	(130,008)	3,050

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 28 to 62.

Notes to the Consolidated Financial Statements

1 Background

(a) Organisation and operations

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

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 31 December 2015, the Group operates five shopping centres in Kyiv, Simferopol, Zaporizhzhia and Kryvyi Rig with a total leasable area of over 147,800 square metres and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be consequently developed.

(b) Ukrainian business environment

Ukraine’s political and economic situation has deteriorated significantly since 2014. Following political and social unrest, which started in November 2013, in March 2014 various events in Crimea led to the annexation of the Republic of Crimea by the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued through the date of these consolidated financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Unrest in Donetsk and Lugansk does not affect the flow of current business of the Group.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country’s gross domestic product and foreign trade and a deterioration in state finances. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75 per cent of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

From 2015 and onwards there was a strong bias towards fighting corruption in Ukraine driven by activists and new ministers-reformers, which was strongly supported by international partners and donors.

Ukraine has been receiving international financial aid helping to fund reforms in the most problematic areas of the economy. This international aid allowed the National Bank of Ukraine to increase its foreign currency reserves and improve its sovereign credit rating in 2015.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

As at 31 December 2015, the carrying value of the Group’s investment property located in Simferopol, the administrative centre of the Republic of Crimea, amounted to USD28,500 thousand (2014: USD 27,800 thousand). The ultimate effect of these developments in the Republic of Crimea on the Group’s ability to continue operations in this region, to realise its related assets and to maintain and secure its ownership rights cannot yet be determined.

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

(c) Cyprus business environment

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the “Troika”), for financial support, which resulted in an agreement and the Eurogroup decision of 25 March 2013.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of the Group as the Group does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Group’s management has concluded that no additional provisions or impairment charges are necessary. The Group’s management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency of Arricano Real Estate PLC is the US Dollar (USD). The majority of Group entities are located in Ukraine and have the Ukrainian Hryvnia (UAH) as their functional currency, except for Voyazh-Krym LLC, which has the Russian Rouble (RUB) as its functional currency starting from 1 May 2014, following the changes in the Ukrainian business environment described in note 1(b). The Group entities located in Cyprus and Isle of Man have the US Dollar as their functional currency, since substantially all transactions and balances of these entities are denominated in US Dollar.

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

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

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

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

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

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

Currency	2015	2014
UAH	**24.00**	15.77
RUB	**72.88**	56.26

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

Currency	2015	2014
UAH	**21.81**	11.87
RUB	**60.59**	38.60

As at the date of these consolidated financial statements are authorised for issue, 25 April 2016, the exchange rate is UAH25.34 to USD1.00 and RUB66.22 to USD1.00.

(d) Use of judgments, estimates and assumptions

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

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

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

- Note 2(c) – determination of functional currency;
- Note 4 – valuation of investment property;
- Note 5 – valuation of loans receivable;
- Note 7 – valuation of trade and other receivables;
- Note 8(a) – classification of assets held for sale; and
- Note 23(d)(*i*) – legal case in respect of Assofit Holdings Limited and valuation of related available-for-sale financial asset.

2 Basis of preparation *continued*

(e) Going concern

The Group incurred a net loss of USD20,379 thousand in 2015 and, as at 31 December 2015, the Group's current liabilities exceed current assets by USD105,026 thousand. In addition, the Group has not complied with the several loan covenants under the existing loan agreements (refer to note 12), which gives the lender a right to demand immediate repayment of the loans amounting to USD20,193 thousand as at 31 December 2015. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At the same time, the Group has positive equity of USD3,050 thousand as at 31 December 2015 and positive cash flows from operating activities amounting to USD7,352 thousand for the year then ended.

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

- The Group has financial support from the ultimate controlling party. Based on representations received in writing from entities under common control, management believes that the Group will not be required to settle the outstanding loans, accrued interest and other payables to related parties in the amount of USD24,522 thousand plus any accruing interest thereon at least until 31 December 2016.
- The Group will be able to draw on existing facilities granted from entities under common control amounting to USD9,395 thousand, should this be required for operational and other needs of the Group.
- In February 2016, the Group signed an amendment to the share exchange agreement in order to postpone the payment of deferred consideration of USD20,000 thousand from 30 April 2016 to 30 June 2017 (refer to note 25(a)).
- In February 2016, the Group signed an amendment to the loan agreement with Bytenem Co Limited in order to postpone the settlement of outstanding balance of USD16,143 thousand from 14 March 2016 to 30 June 2017 (refer to note 25(a)).
- In April 2016, management obtained letter from PJSC Bank St Petersburg waiving the breaches of covenants. Accordingly, management believes that PJSC Bank St Petersburg will not demand early repayment of the loans amounting to USD20,193 thousand with contractual maturity in 2016-2020 presented as a short-term liability as at 31 December 2015.
- The management has taken steps to restructure the organisation of the Group in order to increase the operating efficiency and reduce the costs of the Group.
- During the year ended 31 December 2015, management was able to conclude a number of new tenancy agreements for unoccupied property and substantially increase occupancy rate for its shopping centre in Kyiv.

Management believes that the measures that it undertakes, as described above, will allow the Group to maintain the positive working capital and operate on a going concern basis in the foreseeable future.

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

(f) Measurement of fair values

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

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

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

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – investment property; and
- Note 22(e)(*iii*) – fair values.

3 Significant accounting policies

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

During the year ended 31 December 2015 certain comparative amounts in the income tax expense note have been reclassified to conform to the current year presentation.

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

3 Significant accounting policies *continued*

(ii) Subsidiaries

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

Consolidated entities as at 31 December are as follows:

Name (in thousands of USD, except for % of ownership)	Country of incorporation	Cost 2015	Cost 2014	% of ownership 2015	% of ownership 2014
Praxifin Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
U.A. Terra Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Museo Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
Sunloop Co Limited	Cyprus	**3**	3	**100.00%**	100.00%
Lacecap Limited	Isle of Man	**3**	3	**100.00%**	100.00%
Beta Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Voyazh-Krym LLC	Ukraine	**363**	363	**100.00%**	100.00%
PrJSC Livoberezhzhiainvest	Ukraine	**69**	69	**100.00%**	100.00%
PrJSC Grandinvest	Ukraine	**69**	69	**100.00%**	100.00%
Arricano Property Management LLC	Ukraine	**5**	5	**100.00%**	100.00%
PrJSC UkrPanGroup	Ukraine	**59**	59	**100.00%**	100.00%
Prizma Alfa LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Development LLC	Ukraine	**9**	9	**100.00%**	100.00%
Prizma Development LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Real Estate LLC	Ukraine	**–**	–	**100.00%**	100.00%
Twible Holdings Limited	Cyprus	**–**	–	**100.00%**	100.00%
Gelida Holding Limited	Cyprus	**–**	–	**100.00%**	100.00%
Sapete Holdings Limited	Cyprus	**–**	–	**100.00%**	100.00%
Wayfield Limited	Cyprus	**–**	–	**100.00%**	100.00%
Comfort Market Luks LLC	Ukraine	**40,666**	40,666	**100.00%**	100.00%
Mezokred Holding LLC	Ukraine	**8,109**	8,109	**100.00%**	100.00%
Vektor Capital LLC	Ukraine	**11,441**	11,441	**100.00%**	100.00%
Budkhol LLC	Ukraine	**31,300**	31,300	**100.00%**	100.00%
Budkholinvest LLC	Ukraine	**–**	–	**100.00%**	100.00%
Crimsonville Investments Limited	Cyprus	**–**	–	**100.00%**	100.00%

On 6 March 2014, the Group established Budkholinvest LLC, a new subsidiary of Wayfield Limited with incorporation in Ukraine. This subsidiary was established to act as the financing or investment company for one of the Group's investment projects in Kyiv. As at 31 December 2015, the charter capital of Budkholinvest LLC amounting to USD103 was unpaid.

On 24 July 2014, the Group established Crimsonville Investments Limited, a new subsidiary of U.A. Terra Property Management Limited with incorporation in Cyprus. This subsidiary was established for the purpose of facilitating operations, management and maintenance of the investment property located in the Republic of Crimea. As at 31 December 2015, this subsidiary is still dormant and has no assets or liabilities, due to sanctions imposed by the United States of America and the EU on individuals and businesses from Russia and Ukraine. As at 31 December 2015, the charter capital of Crimsonville Investments Limited amounting to USD1,347 was unpaid. On 28 April 2015, the Group approved to liquidate Crimsonville Investments Limited. As at 31 December 2015, this subsidiary is not yet liquidated.

(iii) Transactions with entities under common control

Acquisitions from entities under common control

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

Disposals to entities under common control

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency transactions and operations

(i) Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

Foreign currency transactions of Group entities located in Ukraine

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

(ii) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(c) Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

3 Significant accounting policies *continued*

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

(ii) Non-derivative financial assets – measurement

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise the following classes of financial assets: trade and other receivables as presented in note 7, loans receivable as presented in note 5, restricted deposits and cash and cash equivalents as presented in note 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3(i)(*i*)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Available-for-sale financial assets comprise equity securities.

(iii) Non-derivative financial liabilities – measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings as presented in note 12, finance lease liability as presented in note 13, trade and other payables as presented in note 14 and other liabilities as presented in note 16.

(iv) Capital and reserves

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Share premium

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

Non-reciprocal shareholders contribution

Non-reciprocal shareholders contribution reserve includes contributions made by the shareholders directly in the reserves. The shareholders do not have any rights to these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval. In prior years' consolidated financial statements this reserve was presented under the heading "Additional paid-in capital".

Retained earnings (accumulated deficit)

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

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

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

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

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

Leasehold of land under operating lease is classified and accounted for as an investment property when the definition of investment property is met. Under investment property accounting, the right to use the land is measured at fair value and the obligation to pay rentals is accounted for as a finance lease.

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

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

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

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured at fair value, and is not reclassified to property and equipment during the redevelopment.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

It is the Group's policy that an external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being appraised, values the portfolio as at each reporting date. The fair value is the amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The valuation is prepared in accordance with International Valuation Standards published by the International Valuation Standards Council.

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

(e) Property and equipment
(i) Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3 Significant accounting policies *continued*

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Vehicles and equipment 5 years
- Fixture and fittings 2.5-5 years

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

(f) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

- Software 3-5 years

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

(g) Inventories

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

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

(h) Assets classified as held for sale

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

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

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

(i) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults, the disappearance of an active market for a security or observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group believes that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

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

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies *continued*

(j) Provisions

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

(k) Revenue

(i) Rental income from investment property

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

(ii) Sale of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(l) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(m) Finance income and costs

Finance income comprises interest income on funds invested, foreign currency gains, income from derecognition of finance lease liabilities and gains on initial recognition of financial liabilities at fair value. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and on deferred consideration, foreign exchange losses and impairment of available-for-sale financial assets.

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

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

(n) Income tax expense

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

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

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

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

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

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Earnings per share

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

As at 31 December 2015 and 2014, there were no potential dilutive ordinary shares.

(p) Segment reporting

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

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

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these standards and interpretations when they become effective.

- International Financial Reporting Standard 9 *Financial Instruments* (IFRS 9), published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- International Financial Reporting Standard 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

3 Significant accounting policies *continued*

- International Financial Reporting Standard 16 *Leases* replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease, SIC-15 Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Investment property

(a) Movements in investment property

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

(in thousands of USD)	Land held on freehold	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Total
At 1 January 2014	9,000	77,469	162,101	7,504	31,725	287,799
Additions	–	3,334	18,315	541	20,590	42,780
Transfers*	–	–	31,446	(5,393)	(26,053)	–
Fair value gains on revaluation	3,280	11,792	24,897	–	–	39,969
Transfer to assets classified as held-for-sale	–	(5,596)	–	(15)	(733)	(6,344)
Currency translation adjustment	(5,380)	(39,727)	(98,505)	(2,582)	(12,458)	(158,652)
At 31 December 2014/1 January 2015	6,900	47,272	138,254	55	13,071	205,552
Additions	**–**	**1,925**	**–**	**11**	**1,340**	**3,276**
Transfers	**–**	**–**	**–**	**(42)**	**42**	**–**
Fair value gains on revaluation	**724**	**8,605**	**7,067**	**–**	**–**	**16,396**
Transfer from assets classified as held-for-sale**	**–**	**4,499**	**–**	**8**	**543**	**5,050**
Currency translation adjustment	**(1,624)**	**(17,579)**	**(46,061)**	**(9)**	**(4,691)**	**(69,964)**
At 31 December 2015	**6,000**	**44,722**	**99,260**	**23**	**10,305**	**160,310**

* As at 31 December 2014, the Group had not obtained the title documents for the shopping centre 'Prospekt' in Kyiv with a total gross leasable area (GLA) of nearly 30,400 square metres and a carrying value of USD29,100 thousand. In September 2014, this shopping centre started its operations. On 5 March 2015, the Group has obtained title documents for the shopping centre 'Prospect'.

** As at 31 December 2015, included into land held on leasehold is the land plot, including the finance lease asset, owned by Mezokred Holding LLC. As at 31 December 2014, this land plot was presented within assets classified as held for sale (refer to note 8). As at 31 December 2015, the Group is involved as a defendant in a lawsuit alleging invalidation of a resolution of the Kyiv City Council, according to which the latter has approved an allocation of this land plot for construction of the hypermarket to Mezokred Holding LLC and entitled Mezokred Holding LLC to lease this land plot for a period of 25 years (refer to note 23(d)(*ii*)).

During the year ended 31 December 2015, acquisition of a land plot held on leasehold of USD1,925 thousand was financed through finance lease (2014: USD 3,334 thousand) (refer to note 13).

During the year ended 31 December 2015, there were no capitalised borrowing costs related to the construction of any shopping centres (2014: USD476 thousand and were related to the construction of the new shopping centre in Kyiv, with a capitalisation rate of 11.5 per cent).

As at 31 December 2015, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 91,630 thousand (2014: USD143,878 thousand) (refer to note 23(a)).

During the year ended 31 December 2015, 42 per cent of total construction services were purchased from one counterparty (2014: 79 per cent of total construction services).

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category. As at 31 December 2015, the fair value of investment property categorised within the Level 2 category is USD 27,100 thousand (2014: USD25,800 thousand). To assist with the estimation of the fair value of the Group's investment property as at 31 December 2015, which is represented by the shopping centres, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

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

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

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

As at 31 December 2015, the estimation of fair value is made using a net present value calculation based on certain assumptions, the most important of which are as follows:

- Monthly rental rates, ranging from USD3.00 to USD56.00 per square metres, which are based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian Hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 91 per cent to 100 per cent, and discount rates ranging from 15.00 per cent to 19.00 per cent p.a., which represent key unobservable inputs for determination of fair value; and
- All relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

As at 31 December 2014, the estimation of fair value is made using a net present value calculation based on certain assumptions, the most important of which are as follows:

- Monthly rental rates, ranging from USD3.00 to USD35.00 per square metres, which are based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian Hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 71 per cent to 99 per cent and discount rates ranging from 12.50 per cent to 19.00 per cent p.a, which represent key unobservable inputs for determination of fair value; and
- All relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

The reconciliation from the opening balances to the closing balances for Level 3 fair value measurements is presented in note 4(a).

As at 31 December 2015, the fair value of investment property denominated in functional currency amounted to UAH3,381,091 thousand and RUB1,416,111 thousand (31 December 2014: UAH2,950,175 thousand and RUB1,035,233 thousand). The increase in fair value of investment property results from increased rental rates invoiced in Ukrainian Hryvnia due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the rental contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2015 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1 per cent less than those used in valuation models, the fair value of investment properties would be USD1,135 thousand (2014: USD1,603 thousand) lower. If rental rates are 1 per cent higher, then the fair value of investment properties would be USD1,135 thousand (2014: USD1,603 thousand) higher.
- If the discount rate applied is 1 per cent higher than that used in the valuation models, the fair value of investment properties would be USD7,270 thousand (2014: USD10,362 thousand) lower. If the discount rate is 1 per cent less, then the fair value of investment properties would be USD8,343 thousand (2014: USD11,908 thousand) higher.
- If the occupancy rates are 1 per cent higher than those used in the valuation models or are assumed to be 100 per cent for shopping centres in Kyiv and for the first stage of the shopping centre in Simferopol, the fair value of investment properties would be USD608 thousand higher (2014: USD1,351 thousand higher). If the occupancy rates are 1 per cent less, then the fair value of investment properties would be USD1,115 thousand (2014: USD1,430 thousand) lower.

5 Loans receivable

Loans receivable as at 31 December are as follows:

(in thousands of USD)	2015	2014
Non-current assets		
Long-term loans receivable due from third parties	**–**	1,340
Accrued interest receivable due from third parties	**–**	222
Long-term loans receivable due from related parties	**31,340**	30,000
Accrued interest receivable due from related parties	**10,025**	9,761
Impairment of loans receivable due from related parties	**(41,365)**	(39,761)
	–	1,562
Current assets		
Short-term loans receivable due from related parties	**7,326**	401
Accrued interest receivable due from related parties	**1,374**	–
Short-term loans receivable due from third parties	**347**	7,576
Accrued interest receivable due from third parties	**–**	1,149
Impairment of loans receivable due from related parties	**(8,700)**	(336)
	347	8,790

Loans receivable from third parties

As at 31 December 2014, the long-term loans receivable from a third party have their maturity date on 31 December 2018, are unsecured and bear a 3.2 per cent interest rate per annum that is fully capitalised and to be repayable together with the principal. Also, as at 31 December 2014, short-term loans receivable due from the same third party in the amount of USD8,199 thousand are represented by a loan, which bears a 3.2 per cent interest rate per annum and is overdue. During the year ended 31 December 2015, this third party has been transferred under common control of the Group's ultimate controlling party. Consequently, these loans receivable are presented as due from related parties as at 31 December 2015.

As at 31 December 2015, management considers these loans to be non-recoverable. Consequently, management has proceeded with the full impairment of these loans receivable in total amount of USD10,029 thousand as at 31 December 2015.

Loans receivable from related parties

In July 2011 the Parent Company granted a loan to Weather Empire Limited with the purpose of buying 1,077 shares in the Parent Company's share capital from Retail Real Estate S.A. As at 31 December 2015 and 2014, the resulting loan receivable of USD39,761 thousand, including accrued interest of USD9,761 thousand, is unsecured, bears a 3 per cent fixed interest rate that is fully capitalised and repayable together with the principal and is overdue.

In July 2013 the shares of Weather Empire Limited were transferred to the Parent Company's major shareholders pro-rata to their ownership rights due to non-exercising of its conversion rights by ELQ Investors II Ltd and later on or about 12 August 2013 were transferred in full to Retail Real Estate S.A. Subsequent to this transfer, settlement of the loan by Weather Empire Limited depends on the intention and ability of the Company's ultimate controlling party to repay this loan.

As at 31 December 2015 and 2014, this loan is overdue and management considers it to be non-recoverable. In this respect management has proceeded with the full impairment of that loan receivable of USD39,761 thousand, including accrued interest of USD9,761 thousand, as at 31 December 2015 and 2014.

Included in short-term loans receivable as at 31 December 2015 is also a loan due from PrJSC Dniprovska Prystan, a subsidiary of Assofit Holdings Limited, amounting to USD221 thousand (2014: USD336 thousand) which is overdue. Full amount of this loan receivable was impaired as at 31 December 2015 and 2014.

Included in short-term loans receivable as at 31 December 2015 is also a loan due from Assofit Holdings Limited amounting to USD54 thousand (2014: USD54 thousand), which is overdue. Full amount of this loan receivable was impaired as at 31 December 2015.

As at 31 December 2015, the remaining short-term loans receivable granted to related parties and third parties of USD347 thousand (2014: USD591 thousand) are due within one year, unsecured and interest-free.

6 VAT recoverable

Management presents VAT recoverable within non-current and current assets based on the expected timing of VAT liabilities being available against which VAT recoverable can be utilised.

Management expects that long-term VAT recoverable will be recovered in full by 2019.

7 Trade and other receivables

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

(in thousands of USD)	2015	2014
Trade receivables from related parties	**1,567**	5,394
Other receivables from related parties	**9,066**	9,391
Allowance for impairment	**(10,629)**	(14,409)
	4	376
Trade receivables from third parties	**950**	982
Other receivables from third parties	**24**	100
Allowance for impairment	**(88)**	(127)
	886	955
	890	1,331

Trade receivables from related parties are mainly comprised of accounts receivable from related party, OKEY Ukraine, under the common control of the ultimate controlling party. The Group ceased working with OKEY Ukraine in August 2009. As the result of financial difficulties faced by this tenant, an allowance for impairment is recognised.

As at 31 December 2015, included in other receivables from related parties are receivables from Dniprovska Prystan PrJSC amounting to USD8,704 thousand (2014: USD9,029 thousand), which are overdue. In 2012, the court ruled to initiate bankruptcy proceedings against the mentioned related party and, as at 31 December 2015, the decision which would declare Dniprovska Prystan PrJSC insolvent has not yet been made. Full amount of receivable was impaired as at 31 December 2015 and 2014.

8 Assets classified as held-for-sale

(a) Movements in assets classified as held-for-sale

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

(in thousands of USD)	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Other assets	Total
At 1 January 2014	–	423	–	–	5,410	5,833
Transfer from investment property	5,596	–	15	733	–	6,344
Transfer from VAT recoverable	–	–	–	–	83	83
Additions	80	–	104	55	–	239
Transfers	–	–	(84)	84	–	–
Fair value gain on revaluation	2,281	–	–	–	–	2,281
Currency translation adjustment	(1,961)	(208)	(11)	(218)	(2,680)	(5,078)
At 31 December 2014/1 January 2015	5,996	215	24	654	2,813	9,702
Transfer to investment property	**(4,499)**	**–**	**(8)**	**(543)**	**–**	**(5,050)**
Transfer to VAT recoverable	**–**	**–**	**–**	**–**	**(80)**	**(80)**
Additions	**–**	**–**	**5**	**18**	**25**	**48**
Disposals	**–**	**(148)**	**–**	**–**	**–**	**(148)**
Transfers	**–**	**–**	**(16)**	**34**	**(18)**	**–**
Currency translation adjustment	**(1,497)**	**(67)**	**(5)**	**(163)**	**(936)**	**(2,668)**
At 31 December 2015	**–**	**–**	**–**	**–**	**1,804**	**1,804**

On 3 April 2014, the Board of Directors of the Company committed to a plan to sell Gelida Holding Limited and its subsidiary Mezokred Holding LLC to the ultimate controlling party of the Group. Accordingly, the assets and liabilities of the abovementioned subsidiaries were classified as held-for-sale as at 31 December 2014. As at 31 December 2014 assets of these subsidiaries were represented by investment property, which is a land plot, including the finance lease asset, measured at fair value of USD5,996 thousand, prepayments for investment property in the amount of USD24 thousand, property under construction in the amount of USD654 thousand and other assets in the amount of USD71 thousand.

8 Assets classified as held-for-sale *continued*

During the year ended 31 December 2015, the Group terminated held-for-sale classification of assets and liabilities of Gelida Holding Limited and its subsidiary Mezokred Holding LLC due to change in expected pattern of realisation of these assets. As at 31 December 2015, the assets and liabilities of the above subsidiaries were reclassified as follows:

(in thousands of USD)	
Investment property	**5,050**
Long-term VAT recoverable	**80**
Finance lease liability	**(297)**
Short-term loans and borrowings	**(199)**
Trade and other payables	**(167)**

Included in other assets classified as held-for-sale as at 31 December 2015, is a land plot with a carrying amount of USD1,804 thousand (31 December 2014: USD 2,742 thousand), land lease rights for which were intended to be amended by one of the Group's subsidiaries, Comfort Market Luks LLC, in respect of allocation of part of such land plot to a third party in accordance with an investment agreement concluded between the parties. Based on this investment agreement, Comfort Market Luks LLC acts as an intermediary in construction of a hypermarket with the total estimated area of 11,769 square metres and a parking lot with a total estimated area of 20,650 square metres. As at 31 December 2015 and 2014, the construction of the hypermarket and a parking lot is finalised and, except for the lease rights for the abovementioned land plot to be allocated to a third party, the owner of the hypermarket, the investment agreement is considered to be fulfilled. Management expects that the lease rights for the land plot under the hypermarket will be given to the third party in 2016 subject to completion of formal legal procedures. As at 31 December 2015, advance payment received under this agreement (refer to note 15) amounts to USD1,917 thousand (31 December 2014: USD2,917 thousand) and will be settled upon transfer of the lease rights for the land plot.

9 Cash and cash equivalents

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

(in thousands of USD)	2015	2014
Bank balances	**1,377**	510
Call deposits	**1,972**	193
Cash in transit	**–**	129
	3,349	832

Excluded from cash and cash equivalents as at 31 December 2015 is restricted deposit in amount of USD800 thousand with maturity in 2016 (2014: restricted deposits in amounts of USD1,385 thousand and USD897 thousand, with a maturity in 2015 and 2020, respectively). These deposits serve as pledge under loan facilities (refer note 23(a)).

As at 31 December 2015, in connection with loans and borrowings, the Group also pledged as security bank balances and call deposits with a carrying value of USD34 thousand and USD1,255 thousand, respectively (2014: nil) (refer to note 23(a)).

As at 31 December 2015, cash and cash equivalents placed with two bank institutions amounted to USD2,683 thousand, or 80 per cent of the total balance of cash and cash equivalents (2014: USD612 thousand, or 74 per cent). In accordance with Moody's rating, these banks are rated as Caa2 and Ba2 as at 31 December 2015 (2014: Caa2 and A2, respectively).

10 Share capital

Share capital as at 31 December is as follows:

	2015 Number of shares	2015 US Dollars	2015 EUR	2014 Number of shares	2014 US Dollars	2014 EUR
Issued and fully paid						
At 1 January and 31 December	**103,270,637**	**66,750**	**51,635**	103,270,637	66,750	51,635
Authorised						
At 1 January and 31 December	**106,000,000**	**68,564**	**53,000**	106,000,000	68,564	53,000
Par value, EUR	**–**	**–**	**0.0005**	–	–	0.0005

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

During the years ended 31 December 2015 and 2014 the Parent Company did not declare any dividends.

11 Loss per share

The calculation of basic loss per share for the year ended 31 December 2015 was based on the loss for the year ended 31 December 2015 attributable to ordinary shareholders of USD20,379 thousand (2014: USD78,596 thousand), and a weighted average number of ordinary shares outstanding as at 31 December 2015 of 103,270,637 (2014: 103,270,637).

The Group has no potential dilutive ordinary shares.

12 Loans and borrowings

This note provides information about the contractual terms of loans. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 22.

(in thousands of USD)	2015	2014
Non-current		
Secured bank loans	**31,231**	50,073
Unsecured loans from related parties	**7,270**	2,661
	38,501	52,734
Current		
Secured bank loans (current portion of long-term bank loans)	**28,843**	10,808
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**37,391**	33,203
Unsecured loans from third parties	**151**	211
	66,385	44,222
	104,886	96,956

Terms and debt repayment schedule

As at 31 December 2015, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
PJSC Bank St Petersburg	USD	10.50%	2016-2020	20,193
EBRD	USD	1M LIBOR + 7.5%	2016-2020	18,258
EBRD	USD	3M LIBOR + 6.5%	2016-2018	11,210
Raiffeisen Bank Aval	UAH	18.00%	2016-2020	10,413
				60,074
Unsecured loans from related parties				
Bytenem Co Limited	USD	12.00%	2016	19,409
Barleypark Limited	USD	10.55%	2017	17,186
Retail Real Estate OU	USD	10.50%	2019	7,783
Loans from other related parties	UAH/USD	0.00%-10.00%	2016	283
				44,661
Unsecured loans from third parties				
Other	UAH/USD	0.00%	2016	151
				151
				104,886

12 Loans and borrowings *continued*

As at 31 December 2014, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
PJSC Bank St Petersburg	USD	10.50%	2015-2020	21,804
EBRD	USD	3M LIBOR + 6.5%	2015-2018	16,355
Raiffeisen Bank Aval	USD	10.75%	2015-2020	12,624
Oshchadbank	USD	11.50%	2020	10,098
				60,881
Unsecured loans from related parties				
International Baltic Investments Limited	USD	10.55%	2017	15,582
Bytenem Co Limited	USD	12.00%	2015	17,471
Retail Real Estate OU	USD	10.50%	2019	2,722
Loans from other related parties	UAH	0.00%	2015	89
				35,864
Unsecured loans from third parties				
Other	UAH/USD	0.00%-3.20%	2013-2015	211
				211
				96,956

As at 31 December LIBOR for USD is as follows:

	2015	2014
LIBOR USD3M	**0.61%**	0.26%
LIBOR USD1M	**0.43%**	0.17%

For a description of assets pledged by the Group in connection with loans and borrowings refer to note 23(a).

PJSC Bank St Petersburg
In April 2013, the Group concluded two loan agreements with PJSC Bank St Petersburg to settle the debts due to constructors in respect of the shopping centre 'RayON' located in Kyiv and to finance the construction of the shopping centre 'South Gallery' located in Simferopol for the amounts of USD14,000 thousand and USD11,000 thousand, respectively.

During the year ended 31 December 2015, the Group signed amendments to the loan agreements with PJSC Bank St Petersburg stipulating a decrease in the amount of loan principal payable in 2015 by USD2,397 thousand, a decrease in the amount of the deposit pledged as a collateral from USD1,385 thousand to USD1,200 thousand and an obligation to replace the existing pledge of investment property by other investment properties acceptable to PJSC Bank St Petersburg until 31 December 2015.

As at 31 December 2015, the Group has not fulfilled an obligation to replace the existing pledge, which is considered to be the event of default under the loan agreements concluded with the bank. This breach gives PJSC Bank St Petersburg a right to demand immediate repayment of the loans amounting to USD20,193 thousand as at 31 December 2015, which are therefore presented as short-term in these consolidated financial statements. In addition, in January 2016, the Group has not replenished the deposit pledged as a collateral for the additional amount of USD400 thousand up to USD1,200 thousand within the period required under the loan agreement. As at the date of these consolidated financial statements, these breaches are not remedied. In April 2016, management obtained the letter from the bank waving the breaches of these covenants. Accordingly, management believes that despite the breaches of loan covenants the bank will not demand early repayment of the loans.

PJSC Raiffeisen Bank Aval
In June 2013, the Group concluded a loan agreement with PJSC 'Raiffeisen Bank Aval' for an irrevocable credit line with a limit of USD15,000 thousand to refinance existing borrowings. The credit line bore 10.75 per cent interest rate per annum and matured in July 2020. The loan was provided to Prizma Alfa LLC, the entity owning shopping centre 'City Mall'. In July 2015, the Group signed a new loan agreement with PJSC 'Raiffeisen Bank Aval' for the total amount of UAH255,053 thousand (equivalent of USD11,826 thousand as at the date of the agreement) in order to refinance the existing loan due to PJSC 'Raiffeisen Bank Aval' denominated in USD. The pledge remained unchanged.

PJSC State Savings Bank of Ukraine
In October 2013, the Group concluded a loan agreement with PJSC State Savings Bank of Ukraine (Oshchadbank) for an irrevocable credit line with a limit of USD30,000 thousand to finance construction of the shopping centre 'Prospect' that is developed by the Group's subsidiary LLC Comfort Market Luks. The credit line bore 11.5 per cent interest rate p.a. and matured in September 2020. As at 31 December 2014, the undrawn credit facilities from Oshchadbank amounted to USD20,000 thousand. In March 2015, the Group settled the outstanding amount of loan payable to Oshchadbank using the funds received from the EBRD. The related loan agreement with Oshchadbank was terminated.

EBRD
In January 2014, the Group signed an amended loan agreement with the EBRD, stipulating an increase in annual interest rate to 3M LIBOR+6.5 per cent effective from 17 March 2014 and an increase in the amount of loan principal payable in 2014 by USD1,711 thousand.

In December 2014, the Group concluded a new loan agreement with the EBRD for the facility of USD25,000 thousand to refinance an existing loan due to Oshchadbank and to repay amounts due to constructors. The new loan agreement concluded with the EBRD bears interest rate of 1M LIBOR+7.5 per cent and matures on 20 December 2020. In March 2015, the Group obtained the first tranche of USD10,000 thousand. In April 2015, the Group obtained the second tranche of USD9,000 thousand.

International Baltic Investments Limited, Bytenem Co Limited and Barleypark Limited
In May 2014, the Group signed a loan agreement with Bytenem Co Limited for a total amount of USD13,051 thousand. The loan bears an annual interest rate of 12 per cent and matures in March 2015. In July 2014, the Group signed an amended loan agreement with Bytenem Co Limited and the amount of the loan facility was increased up to USD16,051 thousand. In March 2015, the Group signed an amended loan agreement with Bytenem Co Limited stipulating a prolongation of the maturity date until March 2016.

During the year ended 31 December 2014, the Group repaid USD13,500 thousand of loan principal to International Baltic Investments Limited, using the funds of USD10,043 thousand obtained from Bytenem Co Limited and own funds of USD3,457 thousand. During the year ended 31 December 2014, the Group signed an amended loan agreement with International Baltic Investments Limited, stipulating an increase in the interest rate to 10.55 per cent per annum, a prolongation of the final repayment date until 13 August 2017 and a decrease of the principal amount to USD15,300 thousand. Despite the fact that the final repayment date was prolonged, the loan remains payable on demand in accordance with the contractual terms of the loan agreement.

During the year ended 31 December 2015, the loan payable to International Baltic Investments Limited was assigned to Barleypark Limited. The Group has consented to the assignment of the loan, which remained a liability of the Group with its terms unaffected by the assignment.

Retail Real Estate OU
In September 2014, the Group concluded a loan agreement with a related party for an irrevocable credit line with a limit of USD10,000 thousand to finance working capital replenishment. The loan bears 10.5 per cent interest per annum and matures in September 2019. As at 31 December 2015, the undrawn credit facilities from this related party amount to USD2,558 thousand (2014: USD7,339 thousand).

13 Finance lease liability
Finance lease liabilities as at 31 December are payable as follows:

(in thousands of USD)	Future minimum lease payments 2015	Interest 2015	Present value of minimum lease payments 2015	Future minimum lease payments 2014	Interest 2014	Present value of minimum lease payments 2014
Less than six months	**564**	**562**	**2**	377	376	1
Between six and 12 months	**564**	**562**	**2**	377	376	1
Between one and two years	**1,379**	**1,376**	**3**	755	754	1
Between two and five years	**4,136**	**4,122**	**14**	3,492	3,483	9
More than five years	**56,973**	**47,057**	**9,916**	52,380	44,262	8,118
	63,616	**53,679**	**9,937**	57,381	49,251	8,130

The imputed finance costs on the liability are based on the Group's incremental borrowing rate ranging from 13.0 per cent to 17.2 per cent as at 31 December 2015 and 2014.

During the year ended 31 December 2014, the Group has finalised the construction of the new shopping centre 'Prospect' located in Kyiv, which led to an increase in future minimum lease payments due to modification of a lease pursuant to the increased value of the land leased by Comfort Market Luks LLC. Accordingly, the resulting change in finance lease liability amounting to USD2,061 thousand was recognised as finance lease asset and presented within investment property.

Also, during the year ended 31 December 2015, as a result of a change in land lease rate indices and land lease payments calculation methodology imposed by the state authorities, the Group recognised an increase in finance liability amounting to USD2,641 thousand (refer to note 20) resulting in a loss in profit or loss for the year ended 31 December 2015 in respect of land plot in Kryvyi Rig and recognised an additional finance lease asset for the amount of USD1,925 thousand in respect of land plots in Kyiv, Zaporizhzhia and Odesa (refer to note 4(a)) (2014: derecognised a finance lease liability amounting to USD151 thousand (refer to note 20) in profit or loss for the year ended 31 December 2014 in respect of land plot in Kryvyi Rig, and recognised an additional finance lease asset for the amount of USD3,334 thousand in respect of land plots in Kyiv, Zaporizhzhia and Odesa).

13 Finance lease liability *continued*

Future minimum lease payments as at 31 December 2015 and 2014 are based on management's assessment that is based on actual lease payments effective as at 31 December 2015 and 2014, respectively, and expected contractual changes in the lease payments. The future lease payments are subject to review and approval by the municipal authorities and may differ from management's assessment.

The contractual maturity of land lease agreements is ranging from 2016 to 2038. The Group intends to prolong these lease agreements for the period of usage of the investment property being constructed on the leased land. Consequently, the minimum lease payments are calculated for a period of 50 years.

14 Trade and other payables

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

(in thousands of USD)	2015	2014
Non-current liabilities		
Payables for construction works	**3,981**	5,549
Trade and other payables to third parties	**7**	9
	3,988	5,558
Current liabilities		
Payables for construction works	**15,809**	32,881
Trade and other payables to related parties	**1,785**	1,420
Trade and other payables to third parties	**2,697**	2,920
	20,291	37,221
	24,279	42,779

In view of the anticipated signing of a subordination deed with the EBRD, on 31 December 2014 the Group agreed postponement of the settlement of payables due to the company providing major construction services to the Group. As a result, as at 31 December 2014, settlement of UAH-denominated payables for construction works of USD6,547 thousand has been prolonged until 20 December 2020. As at 31 December 2015 and 2014, these payables are presented within non-current liabilities and are measured at amortised cost under the effective interest rate of 18.92 per cent per annum.

Also, included in payables for construction works as at 31 December 2015 are EUR-denominated payables under a commission agreement concluded with a third party for the total amount of USD3,024 thousand (31 December 2014: USD4,142 thousand) with maturity on 15 September 2019. As at 31 December 2015 and 2014, these payables relate to construction works performed at shopping centre 'Prospect', are presented in accordance with their contractual maturity and measured at amortised cost under the effective interest rate of 6.01 per cent per annum.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

15 Advances received

Advances from customers as at 31 December are as follows:

(in thousands of USD)	2015	2014
Non-current		
Advances from third parties	**556**	1,158
	556	1,158
Current		
Advances received under investment agreement (refer to note 8)	**1,917**	2,917
Advances from third parties	**2,593**	3,192
Advances from related parties	**29**	44
	4,539	6,153
	5,095	7,311

In September 2009, the Group received a prepayment from an anchor tenant for the period of ten years. As at 31 December 2015, the non-current portion of the prepayment amounts to USD556 thousand and the current portion amounts to USD205 thousand (2014: USD1,158 thousand and USD312 thousand, respectively). Remaining advances from third parties are mainly represented by prepayments from tenants for two months of rental payments.

16 Other liabilities

As at 31 December 2015, other liabilities are represented by deferred consideration of USD22,362 thousand (2014: USD20,412 thousand), including accrued interest of USD2,362 thousand (2014: USD412 thousand), that is payable in respect of the acquisition of Wayfield Limited and its subsidiary Budkhol LLC, and other long-term liabilities amounting to USD80 thousand (2014: USD141 thousand). In May 2014, the Group signed an amendment to the share exchange agreement in order to postpone the repayment of USD10,000 thousand from 30 April 2014 to 30 April 2015. In March 2015, the Group signed an amendment to the share exchange agreement in order to postpone the payment of USD20,000 thousand from 30 April 2015 to 30 April 2016. Deferred consideration is presented in accordance with its contractual maturity as at 31 December 2015 and 2014 and bears a 9.75 per cent interest rate per annum.

17 Revenue

Revenue for the years ended 31 December is as follows:

(in thousands of USD)	2015	2014
Rental income from investment properties	**20,184**	22,249
Other sales revenue	**199**	542
	20,383	22,791

For the year ended 31 December 2015, 23 per cent of the Group's rental income was earned from two tenants (16 per cent and 7 per cent, respectively) (2014: 21 per cent, 13 per cent and 8 per cent, respectively).

In accordance with the terms of the contracts with tenants, rental rates are fixed in USD and invoices are issued in UAH using the exchange rates established by the National Bank of Ukraine effective at the date of invoice.

Starting from March 2014, the Group provides the tenants with temporary discounts to contractual rental rates, or temporarily fixates the exchange rates to be applied to USD equivalent of contractual rental rates at lower levels as compared to the exchange rates established by the National Bank of Ukraine.

Management believes that these measures will allow the Group to maintain occupancy rates in the shopping centres at a relatively high level during the current deteriorated period in Ukrainian business environment. Management believes that these measures are temporary until the Ukrainian business environment stabilises.

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

(in thousands of USD)	2015	2014
Advertising (note 19)	**542**	799
Repair, maintenance and building services (note 18)	**366**	377
Security services (note 19)	**270**	436
Communal public services (note 18)	**249**	269
Land taxes (note 19)	**178**	94
	1,605	1,975

No direct operating expenses arising from investment property that did not generate rental income during 2015 and 2014 occurred.

18 Goods, raw materials and services used

Goods, raw materials and services used for the years ended 31 December are as follows:

(in thousands of USD)	2015	2014
Repair, maintenance and building services (note 17)	**366**	377
Communal public services (note 17)	**249**	269
Other costs	**170**	163
	785	809

19 Operating expenses

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

(in thousands of USD)	2015	2014
Allowance for bad debts	**10,617**	42,625
Management, consulting and legal services	**2,781**	3,639
Advertising (note 17)	**542**	799
VAT recoverable written-off	**426**	1,096
Security services (note 17)	**270**	436
Auditors' fees	**226**	269
Office expenses and communication services	**202**	373
Land taxes (note 17)	**178**	94
Administrative expenses	**89**	162
Other	**241**	1,405
	15,572	50,898

VAT recoverable written-off represents VAT input, originated under the Ukrainian legislation at the subsidiary located in the Republic of Crimea, which is not recognised by the Crimean authorities upon annexation of the region by the Russian Federation.

20 Finance income and finance costs

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

(in thousands of USD)	2015	2014
Interest income	**587**	1,451
Gain on initial recognition of trade and other payables at fair value (refer to note 14)	**–**	4,366
Finance income from derecognition of finance lease liability (refer to note 13)	**–**	151
Other finance income	**362**	103
Finance income	**949**	6,071
Foreign exchange loss	**(19,175)**	(49,819)
Interest expense	**(10,143)**	(9,373)
Finance costs from recognition of finance lease liability (refer to note 13)	**(2,641)**	–
Interest expense on deferred consideration (refer to note 16)	**(1,950)**	(1,982)
Impairment of available-for-sale financial asset (refer to note 23(d)(i))	**–**	(20,727)
Other finance costs	**(2,179)**	(4,218)
Finance costs	**(36,088)**	(86,119)
Net finance cost	**(35,139)**	(80,048)

21 Income tax expense

(a) Income tax expense

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

(in thousands of USD)	2015	2014
Current tax expense	**574**	153
Deferred tax expense	**3,534**	8,860
Total income tax expense	**4,108**	9,013

Corporate profit tax rate for Ukrainian entities for 2014 and afterwards is fixed at 18 per cent.

While computing the deferred tax liability that arises on the temporary differences between carrying amounts and tax values of assets and liabilities of Voyazh-Krym LLC, registered in the Autonomous republic of Crimea, as at 31 December 2015 and 2014, management of the Group reflected the tax consequences that are applicable under the legislation of the Russian Federation that is being applied for all companies operating in the Republic of Crimea. In absence of clear regulations that will be applicable to the Republic of Crimea, management expects that reversal of temporary differences will be done under the Laws of the Russian Federation. The applicable tax rate for the entities operating under the laws of the Russian Federation is 20 per cent.

The applicable tax rates are 12.5 per cent for Cyprus companies and 0 per cent for companies incorporated in the Isle of Man.

(b) Reconciliation of effective tax rate

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

(in thousands of USD)	2015	%	2014	%
Loss before tax	**(16,271)**	**100%**	(69,583)	100%
Income tax benefit at statutory rate in Ukraine	**(2,929)**	**18%**	(12,525)	18%
Effect of different tax rates on taxable (loss) profit in other jurisdictions	**(1,117)**	**7%**	(1,731)	2%
Non-deductible expenses	**5,186**	**(32%)**	14,679	(21%)
Change in unrecognised deferred tax assets	**4,873**	**(30%)**	4,488	(6%)
Change in tax rates	**–**	**–**	457	(1%)
Foreign currency translation difference	**(1,905)**	**12%**	3,645	(5%)
Effective income tax expense	**4,108**	**(25%)**	9,013	(13%)

(c) Recognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
(in thousands of USD)	2015	2014	2015	2014	2015	2014
Investment property	**–**	703	**(10,633)**	(12,483)	**(10,633)**	(11,780)
Property and equipment	**1**	–	**–**	(2)	**1**	(2)
Trade and other receivables	**501**	987	**–**	(13)	**501**	974
Assets classified as held-for-sale	**–**	–	**(324)**	(494)	**(324)**	(494)
Trade and other payables	**37**	17	**–**	(10)	**37**	7
Advances received	**–**	855	**–**	–	**–**	855
Short-term borrowings	**8**	9	**–**	(6)	**8**	3
Long-term borrowings	**–**	–	**–**	(14)	**–**	(14)
Other long-term payables	**7**	7	**(456)**	(801)	**(449)**	(794)
Tax loss carry-forwards	**8,053**	9,734	**–**	–	**8,053**	9,734
Deferred tax assets (liabilities)	**8,607**	12,312	**(11,413)**	(13,823)	**(2,806)**	(1,511)
Offset of deferred tax assets and liabilities	**(8,607)**	(12,312)	**8,607**	12,312	**–**	–
Transfer to/from liabilities classified as held-for-sale	**–**	–	**–**	40	**–**	40
Net deferred tax assets (liabilities)	**–**	–	**(2,806)**	(1,471)	**(2,806)**	(1,471)

21 Income tax expense *continued*

(d) Movements in recognised deferred tax assets and liabilities

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2015 are as follows:

(in thousands of USD)	Balance as at 1 January 2015 asset (liability)	Recognised in profit or loss	Recognised in OCI	Foreign currency translation adjustment	Balance as at 31 December 2015 asset (liability)
Investment property	**(11,780)**	**(3,179)**	**–**	**4,326**	**(10,633)**
Property and equipment	**(2)**	**3**	**–**	**–**	**1**
Trade and other receivables	**974**	**(153)**	**–**	**(320)**	**501**
Assets classified as held-for-sale	**(494)**	**1**	**–**	**169**	**(324)**
Trade and other payables	**7**	**36**	**–**	**(6)**	**37**
Advances received	**855**	**(598)**	**–**	**(257)**	**–**
Short-term borrowings	**3**	**7**	**–**	**(2)**	**8**
Long-term borrowings	**(14)**	**10**	**–**	**4**	**–**
Other long-term payables	**(794)**	**80**	**–**	**265**	**(449)**
Tax loss carry-forwards	**9,734**	**259**	**1,548**	**(3,488)**	**8,053**
Deferred tax assets (liabilities)	**(1,511)**	**(3,534)**	**1,548**	**691**	**(2,806)**

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2014 are as follows:

(in thousands of USD)	Balance as at 1 January 2014 asset (liability)	Recognised in profit or loss	Recognised in OCI	Transferred to liabilities held for sale	Foreign currency translation adjustment	Balance as at 31 December 2014 asset (liability)
Investment property	(8,598)	(9,303)	–	324	5,797	(11,780)
Property and equipment	3	(5)	–	–	–	(2)
Trade and other receivables	1,737	124	–	–	(887)	974
Assets classified as held-for-sale	–	(657)	–	–	163	(494)
Trade and other payables	(9)	15	–	10	(9)	7
Advances received	581	745	–	–	(471)	855
Short-term borrowings	8	(1)	–	–	(4)	3
Long-term borrowings	(24)	(2)	–	–	12	(14)
Other long-term payables	12	(1,063)	–	–	257	(794)
Tax loss carry-forwards	2,367	1,287	9,854	(294)	(3,480)	9,734
Deferred tax assets (liabilities)	(3,923)	(8,860)	9,854	40	1,378	(1,511)

(e) Unrecognised deferred tax assets

Deferred tax assets as at 31 December 2015 have not been recognised in respect of the following items:

(in thousands of USD)	Balance as at 1 January 2015	Utilisation of previously unrecognised temporary differences	Increase in unrecognised temporary differences	Foreign currency translation adjustment	Balance as at 31 December 2015
Trade and other receivables	**275**	**(122)**	**–**	**(46)**	**107**
Other long-term payables	**69**	**(43)**	**–**	**(26)**	**–**
Trade and other payables	**731**	**(505)**	**–**	**(226)**	**–**
Advances from customers	**120**	**(75)**	**–**	**(45)**	**–**
Tax loss carry-forwards	**17,341**	**–**	**18,883**	**(7,649)**	**28,575**
	18,536	**(745)**	**18,883**	**(7,992)**	**28,682**

Deferred tax assets as at 31 December 2014 have not been recognised in respect of the following items:

(in thousands of USD)	Balance as at 1 January 2014	Utilisation of previously unrecognised temporary differences	Increase in unrecognised temporary differences	Foreign currency translation adjustment	Balance as at 31 December 2014
Trade and other receivables	607	–	–	(332)	275
Other long-term payables	–		69	–	69
Trade and other payables	–	–	740	(9)	731
Advances from customers	265	–	–	(145)	120
Tax loss carry-forwards	3,844	(76)	22,049	(8,476)	17,341
	4,716	(76)	22,858	(8,962)	18,536

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

During the year ended 31 December 2015, unrecognised temporary differences of USD13,265 thousand (2014: USD18,294 thousand) were recognised in other comprehensive income.

22 Financial risk management

(a) Overview

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

(b) Risk management framework

The management has overall responsibility for the establishment and oversight of the risk management framework.

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

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

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

22 Financial risk management *continued*

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and receivables.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently challenging economic circumstances. There is no significant concentration of receivables from a single customer. In 2015 and 2014, 100 per cent of the Group's revenue is attributable to sales transactions with customers in Ukraine and the Republic of Crimea.

Management has no formal credit policy in place for customers other than regular tenants and the exposure to credit risk is approved and monitored on an ongoing basis individually for all other significant customers.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and loans receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Guarantees

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

(iii) Exposure to credit risk

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

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of VAT recoverable and prepaid expenses amounting in total to USD5,402 thousand as at 31 December 2015 (2014: USD9,424 thousand).

(iv) Impairment losses

The ageing of trade and other receivables as at 31 December was:

(in thousands of USD)	2015 Gross	2015 Impairment	2014 Gross	2014 Impairment
Not past due	**816**	**–**	876	–
Past due 0-30 days	**–**	**–**	50	–
Past due 31-60 days	**7**	**–**	24	–
Past due 61-90 days	**1**	**–**	4	–
Past due 91-360 days	**1,737**	**(1,729)**	7	(7)
More than one year	**9,046**	**(8,988)**	14,906	(14,529)
	11,607	**(10,717)**	15,867	(14,536)

Allowance for impairment of financial assets is as follows:

(in thousands of USD)	2015	2014
Allowance for impairment of trade and other receivables	**10,717**	14,536
Allowance for impairment of loans receivable	**50,065**	40,097
Allowance for impairment of available-for-sale financial assets	**20,727**	20,727
	81,509	75,360

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

(in thousands of USD)	2015	2014
Balance at 1 January	**(75,360)**	(17,570)
Impairment loss recognised	**(10,617)**	(63,352)
Bad debt write-off	**1,972**	–
Foreign currency translation differences	**2,496**	5,562
Balance at 31 December	**(81,509)**	(75,360)

(d) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2015:

		Contractual cash flows					
(in thousands of USD)	Carrying amount	Total	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Secured bank loans	**60,074**	**74,631**	**21,334**	**13,169**	**11,075**	**29,053**	**–**
Unsecured loans from related parties	**44,661**	**47,554**	**36,988**	**1,045**	**760**	**8,761**	**–**
Unsecured loans from third parties	**151**	**151**	**–**	**151**	**–**	**–**	**–**
Finance lease liability	**9,937**	**63,616**	**188**	**940**	**1,379**	**4,136**	**56,973**
Trade and other payables	**24,279**	**27,966**	**4,489**	**16,710**	**856**	**5,911**	**–**
Other liabilities	**22,442**	**23,088**	**–**	**23,008**	**80**	**–**	**–**
	161,544	**237,006**	**62,999**	**55,023**	**14,150**	**47,861**	**56,973**

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2014:

		Contractual cash flows					
(in thousands of USD)	Carrying amount	Total	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Secured bank loans	60,881	80,959	1,681	14,542	15,067	30,509	19,160
Unsecured loans from related parties	35,864	37,279	15,282	18,218	280	3,499	–
Unsecured loans from third parties	211	211	38	173	–	–	–
Finance lease liability	8,130	57,381	230	524	755	3,492	52,380
Trade and other payables	42,779	47,775	4,340	33,117	1,968	1,803	6,547
Other liabilities	20,553	21,194	–	21,053	141	–	–
	168,418	244,799	21,571	87,627	18,211	39,303	78,087

(e) Market risk

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

(i) Currency risk

Group entities located in Ukraine

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the Ukrainian Hryvnias (UAH), primarily the US Dollar (USD), but also the Euro (EUR) and the GB Pound (GBP).

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

22 Financial risk management *continued*

Exposure to currency risk

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

	2015			2014		
(in thousands of USD)	USD	EUR	GBP	USD	EUR	GBP
Cash and cash equivalents	**31**	**25**	**–**	12	4	–
Restricted deposits	**–**	**–**	**–**	580	–	–
Secured bank loans	**(49,661)**	**–**	**–**	(60,881)	–	–
Unsecured loans from related parties	**(191)**	**–**	**–**	–	–	–
Trade and other payables	**–**	**(775)**	**–**	(352)	(7,914)	(153)
Net short position	**(49,821)**	**(750)**	**–**	(60,641)	(7,910)	(153)

Sensitivity analysis

A 20 per cent weakening of the Ukrainian Hryvnia against the following currencies as at 31 December would have increased net loss and decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2015		2014	
(in thousands of USD)	Profit or loss	Equity	Profit or loss	Equity
USD	**(8,171)**	**(8,171)**	(9,945)	(9,945)
EUR	**(123)**	**(123)**	(1,297)	(1,297)
GBP	**–**	**–**	(25)	(25)

A 20 per cent strengthening of the Ukrainian Hryvnia against these currencies at 31 December would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

Intra-Group borrowings

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

The exposure to foreign currency risk on these borrowings is USD256,769 thousand and USD240,246 thousand as at 31 December 2015 and 2014, respectively. The effect of translation of these loans payable by Ukrainian subsidiaries resulted in a foreign exchange loss of USD80,745 thousand, including tax effect, recognised directly in other comprehensive income for the year ended 31 December 2015 (2014: USD146,523 thousand).

A 20 per cent weakening of the Ukrainian hryvnia against the USD would have increased other comprehensive loss for the year ended 31 December 2015 and decreased equity as at 31 December 2015 by USD42,110 thousand (2014: USD39,400 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 20 per cent strengthening of the Ukrainian Hryvnia against these currencies would have had the equal but opposite effect to the amounts mentioned above, on the basis that all other variables remain constant.

Group entities located in the Republic of Crimea

The Group entity, located in the Republic of Crimea, is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the Russian Rouble (RUB), primarily the Ukrainian Hryvnia (UAH).

Exposure to currency risk

The exposure to foreign currency risk is as follows based on notional amounts:

(in thousands of USD)	31 December 2015 UAH	31 December 2014 UAH
Trade and other payables	**(4,080)**	(5,797)
Net short position	**(4,080)**	(5,797)

Sensitivity analysis
A 10 per cent strengthening of the Russian Rouble against the Ukrainian Hryvnia would have decreased net loss and increased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2015		2014	
(in thousands of USD)	Profit or loss	Equity	Profit or loss	Equity
UAH	**326**	**326**	464	464

A 10 per cent weakening of the Russian Rouble against the Ukrainian Hryvnia would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

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

Refer to notes 5, 12, 13 and 16 for information about maturity dates and effective interest rates of fixed rate and variable rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

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

(in thousands of USD)	2015	2014
Fixed rate instruments		
Loans receivable	**–**	9,761
Loans and borrowings	**(75,216)**	(80,601)
Other liabilities	**(22,362)**	(20,412)
Finance lease liability	**(9,937)**	(8,130)
	(107,515)	(99,382)
Variable rate instruments		
Loans and borrowings	**(29,468)**	(16,355)
	(29,468)	(16,355)

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or as available-for-sale, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments
An increase of 100 basis points in interest rates at the reporting date would have decreased equity as at 31 December and would have increased net loss for the years ended 31 December by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2015		2014	
(in thousands of USD)	Profit or loss	Equity	Profit or loss	Equity
Loans and borrowings	**(242)**	**(242)**	(134)	(134)
	(242)	**(242)**	(134)	(134)

A decrease of 100 basis points in interest rates at 31 December would have had the equal but opposite effect to the amounts shown above.

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

22 Financial risk management *continued*

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

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

Management believes that for all the financial assets and liabilities, the carrying value is estimated to approximate the fair value as at 31 December 2015 and 2014. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date. The estimated fair value is categorised within Level 2 of the fair value hierarchy.

(f) Capital management

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

23 Commitments and contingencies

(a) Pledged assets

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

(in thousands of USD)	2015	2014
Investment property (note 4)	**91,630**	143,878
Call deposits (note 9)	**1,255**	–
Restricted deposits (note 9, 12)	**800**	2,282
Bank balances (note 9)	**34**	–
	93,719	146,160

As at 31 December 2015 and 2014, the Group has also pledged the following:

- Future rights on income of Prizma Alfa LLC under all lease agreements;
- Investments in the following subsidiaries: PrJSC Grandinvest, PrJSC UkrPanGroup and PrJSC Livoberezhzhiainvest; and
- Property rights under the Investment Agreement between PrJSC Grandinvest, PrJSC Livoberezhzhiainvest and LLC 'Voyazh-Krym'.

Also, as at 31 December 2015, the Group has pledged future rights on income of Comfort Market Luks LLC under all lease agreements and investment in this subsidiary.

(b) Construction commitments

The Group entered into contracts with third parties to construct two shopping centres in Kyiv and a shopping centre in Odesa for the amount of USD23,548 thousand as at 31 December 2015 (2014: USD36,503 thousand).

(c) Operating leases commitments

The Group as lessor

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

The future minimum lease payments under non-cancellable leases as at 31 December are as follows:

(in thousands of USD)	2015	2014
Less than one year	**5,490**	5,228
Between one and five years	**3,470**	4,415
More than five years	**666**	1,392
	9,626	11,035

(d) Litigations

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

(i) Legal case in respect of Assofit Holdings Limited

As at 31 December 2015 and 2014, the Group was involved in an arbitration dispute with Stockman Interhold S.A. (Stockman), which was the majority shareholder of Assofit Holdings Limited (Assofit), regarding invalidation of the Call Option Agreement dated 25 February 2010. In accordance with this Call Option Agreement, Arricano was granted the option to acquire the shareholding of Stockman being equal to 50.03 per cent in the share capital of Assofit during the period starting from 15 November 2010 up to 15 March 2011. In November 2010, the Company sought to exercise the option granted by the Call Option Agreement, however the buy-out was suspended by legal and arbitration proceedings that were initiated by Stockman in relation to the validity of the termination of the agreement relating to the call option under the Call Option Agreement. The case was considered by The London Court of International Arbitration (LCIA).

On 13 December 2011, the sole arbitrator rendered an award declaring that Stockman had validly terminated the Call Option Agreement. The Company appealed the award before the High Court of England and Wales and its appeal was partially successful. As a result the court remitted the question of whether the Company has validly exercised the call option granted under the Call Option Agreement to be considered a new by the sole arbitrator.

On 19 August 2014, the sole arbitrator of the LCIA proceedings issued an award declaring that Arricano validly exercised the call option in 2010 whereby it sought to acquire a shareholding of 50.03 per cent of Assofit. The Company was ordered to deposit the call option price agreed in 2010 with independent third party by 1 January 2015. Immediately prior to the issuance of this award, Arricano discovered that Stockman had transferred its shares in Assofit to a fully-owned subsidiary of Stockman and later discovered that Stockman had further dissipated Assofit's assets. On 24 October 2014, Arricano filed a claim for damages in the arbitration for the losses caused by Stockman's dissipation of Assofit's assets in breach of the Call Option Agreement and requested that the deadline for deposit of the call option price to be extended by six months. On 8 December 2014, the sole arbitrator issued an award declining Arricano's request for the extension of the 1 January 2015 deadline for depositing the call option on the grounds that the sole arbitrator lacked jurisdiction to do so. On 19 September 2014, the sole arbitrator issued a further award confirming that the sole arbitrator had jurisdiction and authority to make further orders and awards concerning the terms on which the call option price was to be deposited. On 31 March 2015, the sole arbitrator issued an award declaring that Arricano properly deposited the option price with independent third parties by 1 January 2015, that Arricano's right to acquire shares pursuant to the second award had not expired and that Stockman's conditional obligation to transfer (or procure the transfer of) the shares to Arricano pursuant to the second award had not expired. A hearing for Arricano's claim for damages in the arbitration was held on 25 and 26 November 2015 and, on 18 December 2015, the sole arbitrator issued an order which declared that Arricano is no longer required to continue to deposit the call option price with an independent third party. As at the date that these consolidated financial statements are authorised for issuance, the parties are waiting for the sole arbitrator to issue an award in respect of Arricano's damages claim.

Separately, Stockman challenged the awards dated 19 August 2014, 19 December 2014 and 31 March 2015 at the High Court of England and Wales. Stockman's challenges to the awards dated 19 August 2014 and 19 December 2014 were unsuccessful, however, as at the date that these consolidated financial statements are authorised for issuance, the challenge to the award dated 31 March 2015 remains pending. The parties have agreed not to take any further steps in these challenge proceedings until the sole arbitrator issues an award in respect of Arricano's damages claim.

On 12 March 2012, Arricano filed an application to the District Court of Larnaca to wind up its associate, Assofit Holdings Limited, on grounds of oppression of minority. Within the frame of this application, on 30 March 2012 Arricano has successfully applied for the appointment of a receiver at the level of Assofit Holdings Limited in order to protect its assets until consideration of the winding up application is completed. On 9 January 2014, based on an interim order of the District Court of Larnaca the powers of the receiver to appoint or change the Board of Directors of Assofit or management of the Ukrainian subsidiaries were temporarily nullified without affecting the powers of the receiver to protect Assofit's assets. The receiver contested this interim order with the District Court of Larnaca. On 21 January 2014, Arricano filed the certiorari application with the Supreme Court of Cyprus to suspend this interim order based on procedural grounds. On 14 November 2014, the court removed all the restrictions that were imposed in the past on the Receiver's powers. On 30 January 2015, following Stockman's application, the court cancelled its previous interim orders on appointment of the Receiver. As at the date that these consolidated financial statements are authorised for issue, Assofit is not under receivership.

On 14 October 2013 Stockman, Assofit and the Ukrainian subsidiary of Assofit initiated legal proceedings before the District Court of Nicosia for the alleged violation of fiduciary duties by Arricano, Hillar Teder (the Group's ultimate controlling party) and Dragon Ukrainian Properties and Development PLC (a shareholder of the Group) and recovery of the funds lent based on the loan agreement between Assofit and Filgate. On 7 March 2014, Arricano filed its Defence and Counterclaim against Stockman, Assofit and Prizma Beta LLC, on the basis of a series of violations of the fiduciary duties by Stockman and its nominees. At the date that these consolidated financial statements are authorised for issuance these litigation proceedings remain pending.

On 20 August 2014, Arricano commenced legal proceedings before the District Court of Nicosia against Assofit, Stockman, Omniserve Ltd and Althor Property Investments Ltd ('Althor Property'). In the aforementioned process, Arricano succeeded in obtaining interim orders. The interim orders imposed restrictions on the transfer and/or otherwise alienation of Stockman's shares in Assofit as well on Stockman's voting and shareholding rights and inter alia, ordered Althor Property to transfer the Assofit shares it received back to Stockman.

In September 2014, Assofit Holdings Limited transferred the shares of Prizma Beta LLC to Financial and Investment Solutions BV, a company registered in the Netherlands, despite the fact that an Interim Receiver was appointed in Assofit at that period of time with the responsibility of collecting and safeguarding Assofit's assets. Further in September 2014, Joint-Stock Bank Pivdeniy PJSC, Ukraine, which had an outstanding mortgage loan due from Prizma Beta LLC of USD32,000 thousand, exercised its right to recover the abovementioned loan by means of reposession of ownership rights to the Sky Mall shopping centre which was pledged to secure this loan in September 2014. Management of the Group believes that these transfers are illegal and requests that the Group will transfer to Stockman the call option deposit placed as at 31 December 2015 only after these transfers are nullified. As at the date that these consolidated financial statements are authorised for issuance, shares of Prizma Beta LLC and ownership rights for the Sky Mall shopping centre remain to be alienated.

23 Commitments and contingencies *continued*

As at 31 December 2015 and 2014, the Group holds 49.97 per cent of nominal voting rights in Assofit without retaining significant influence. In prior years' consolidated financial statements of the Group until 31 December 2013 investment in Assofit was recognised in the statement of financial position as available-for-sale financial asset stated at carrying amount of USD20,727 thousand. Due to loss of the legal control over the major operating asset being the Sky Mall shopping centre in September 2014, management believes that investment in Assofit is fully impaired as at 31 December 2015 and 2014.

(ii) Legal case in respect of Mezokred Holding LLC

On 17 April 2014, a claim was filed against Mezokred Holding LLC by a third party individual seeking to nullify the resolution issued by the Kyiv City Council, according to which the latter has approved the allocation to Mezokred Holding LLC of a land plot in Obolon District of Kyiv for the construction of a hypermarket and entitled Mezokred Holding LLC to lease this land plot for a period of 25 years. On 21 May 2014 and 15 July 2014, the Kyiv Administrative Court and the Kyiv Court of Appeal ruled against Mezokred Holding LLC. On 4 August 2014, Mezokred Holding LLC filed a cessation appeal to the Supreme Administrative Court of Ukraine and this appeal was accepted by the court.

On 6 August 2014, the public prosecutor filed a new claim against Mezokred Holding LLC to recognise the lease agreement for a land plot in Obolon District of Kyiv as invalid. On 12 September 2014 the first instance court ruled to suspend the hearings on this case until passing of the ruling of the court in respect of the claim issued on 17 April 2014. On 26 November 2014, the Supreme Administrative Court of Ukraine cancelled the judgments of lower courts in respect of the claim, issued on 17 April 2014, and returned the case for new consideration to the first instance court. As at the date that these consolidated financial statements are authorised for issuance, the results of respective hearing of the first instance court that took place on 15 April 2016 in written proceeding are not yet available. Management believes that the Group will be successful in defending its title to the lease agreement for the land plot concerned further in court, if this is required. Should this not be the case, the Group may ultimately lose its lease rights for the land plot concerned and title to the related investment property. As at 31 December 2015, the fair value of the land plot and property under construction at Mezokred Holding LLC is USD4,937 thousand and USD506 thousand, respectively.

(iii) Legal case in respect of Comfort Market Luks LLC

In 2007, in accordance with legislation effective on that date Comfort Market Luks LLC paid the fee for participation share in the development of social, civil engineering and traffic infrastructure of the city of Kyiv in the amount of UAH 45,766 thousand (approximately USD9 million as at the date of payment). In October 2014, Comfort Market Luks LLC has filed a claim against Department of Economics and Investment of the Kyiv City Council before the Economic Court of the city of Kyiv (the first instance court) in order to acknowledge the agreement on the share participation as executed. The abovementioned claim of Comfort Market Luks LLC was satisfied by the Economic Court of the city of Kyiv in full. Subsequently, the decision of the Economic Court of the city of Kyiv was challenged and Comfort Market Luks LLC has submitted its cassation appeal to the Highest Economic Court of Ukraine to reconfirm the earlier decision of the first instance court. After a number of case hearings in 2015, on 28 September 2015 the case was closed by the Highest Economic Court of Ukraine on the basis that Comfort Market Luks LLC has made all necessary payments in the development of social, civil engineering and traffic infrastructure of the city of Kyiv.

(iv) Legal case in respect of Voyazh-Krym LLC

On 12 October 2013, a claim was filed against Voyazh-Krym LLC by a third party seeking to demolish the part of the shopping centre 'South Gallery' located in Simferopol with an area of 0.73 hectares. On 17 January 2014, Administrative Court of Ukraine ruled in favour of Voyazh-Krym LLC. The plaintiff filed an appeal and this appeal was accepted by the Court. In 2014, the case was transferred to the Russian court authorities. On 5 June 2015, Arbitration court of the Russian Federation ruled also in favour of Voyazh-Krym LLC. The plaintiff filed an appeal to the Arbitration Court of the Central District and this appeal was accepted by the Court. Later the Arbitration Court of the Central District cancelled the judgments of lower courts and returned the case for new consideration to the first instance court. Also, on 29 December 2015 the Supreme Administrative Court of the Russian Federation confirmed the previous decision of the Arbitration Court of the Central District. On 22 January 2016, Arbitration Court of the Russian Federation ruled against Voyazh-Krym LLC. Voyazh-Krym LLC filled an appeal. On 11 April 2016, Arbitration Court of Appeal returned the case for new consideration to the first instance court. The respective hearing of the first instance court is scheduled on 23 May 2016. Management believes that the Group will be successful in defending its rights further in court, if this is required. Otherwise, Voyazh-Krym LLC may be required to perform reconstruction of the part of the shopping centre stated at USD19,430 thousand as at 31 December 2015.

Management is unaware of any other significant actual, pending or threatened claims against the Group.

(e) Taxation contingencies

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

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these consolidated financial statements.

As a result of the events described in note 1(b), Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Republic of Crimea. Starting from April 2014, this territory is subject to the transitional provisions of tax rules established by the Russian government to ensure gradual introduction of federal laws into the territory. Although these transitional provisions were thought to put certain relief on the entities registered in the Republic of Crimea, interpretations of these provisions by the tax authorities may be different from the tax payers' view. Management believes that it has adequately provided for tax liabilities based on its understanding of the official pronouncements. In absence of practice of applying new taxation rules by the tax authorities, the effect of potential disagreements in tax treatment of the Group's operations in the Republic of Crimea on the consolidated financial statements cannot presently be determined and can be significant.

Effective from 1 January 2015, the territory of the Republic of Crimea is subject to general legislation of the Russian Federation. The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. This may create additional tax risks for the Group going forward.

24 Related party transactions

(a) Control relationships

As at 31 December 2015, the Group's shareholders are Retail Real Estate S.A., Vunderbuilt S.A., Dragon – Ukrainian Properties and Development plc, Deltamax Group OU, Sigma Real Estate Limited, Rauno Teder and Jüri Põld. The Group's ultimate controlling party is Estonian individual Hillar Teder. Hillar Teder indirectly controls 55.45 per cent of the voting shares of the Parent Company. Apart from this, the adult son of Hillar Teder controls 7.48 per cent of the voting shares of the Parent Company.

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the statement of profit or loss and other comprehensive income for the year ended 31 December 2015 is represented by salary and bonuses of USD298 thousand (2014: USD524 thousand).

(c) Transactions and balances with entities under common control

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

(in thousands of USD)	2015	2014
Long-term loans receivable	**41,365**	39,761
Short-term loans receivable	**8,700**	401
Trade receivables	**1,567**	5,394
Other receivables	**9,066**	9,391
Provision for impairment of trade and other receivables and loans receivable from related parties	**(60,694)**	(54,506)
	4	441
Long-term loans and borrowings	**7,270**	2,661
Short-term loans and borrowings	**37,391**	33,184
Trade and other payables	**1,785**	1,420
Advances received	**29**	44
Other liabilities	**22,362**	20,412
	68,837	57,721

None of the balances are secured. The terms and conditions of significant transactions and balances with entities under common control are described in notes 5, 7, 12 and 16.

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

(in thousands of USD)	2015	2014
Interest expense	**(5,988)**	(5,169)
Other finance costs	**(2)**	(2,314)
Interest income	**268**	1,182
Operating expenses	**(11,147)**	(43,161)

Prices for related party transactions are determined on an ongoing basis.

24 Related party transactions *continued*

(d) Guarantees issued by related parties

The Group's related parties issued guarantees securing loans payable by Ukrainian subsidiaries of Arricano Real Estate PLC to the EBRD (loans payable by Grandinvest PrJSC, UkrPanGroup PrJSC), PJSC Bank St Petersburg (loans payable by Livoberezhzhiainvest PrJSC) and Oshchadbank (loan payable by Comfort Market Luks LLC). The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans as at 31 December 2015 of USD29,468 thousand (2014: USD16,355 thousand), in relation to PJSC Bank St Petersburg as at 31 December 2015 of USD20,193 thousand (2014: USD21,804 thousand) and in relation to Oshchadbank as at 31 December 2014 of USD10,098 thousand.

25 Events subsequent to the reporting date

(a) Changes in terms of loans and borrowings

In February 2016, the Group signed an amendment to the share exchange agreement in order to postpone the payment of deferred consideration of USD20,000 thousand from 30 April 2016 to 30 June 2017 (refer to notes 2(e), 16).

In February 2016, the Group signed an amendment to the loan agreement with Bytenem Co Limited in order to postpone the settlement of outstanding balance of USD19,409 thousand from 14 March 2016 to 30 June 2017 (refer to notes 2(e), 12).

(b) Acquisition of investments

On 22 April 2016 one of the subsidiaries of the Group acquired 100 per cent share capital in Green City Ltd, Russia from Retail Real Estate S.A for a nominal value of RUB100 thousand, which at the date of the acquisition equaled to USD1.5 thousand.

Notes

Notes

Board of Directors

Raul Parusk
Patrick Rupert Cottrell
Philip Peter Scales
Michalakis Zampelas
Volodymyr Tymochko
Mykhailo Merkulov (appointed 16 April 2015)
Iarema Kovaliv (resigned on 15 April 2015)

Secretary

Asoted Secretarial Limited

Independent Auditors

KPMG Limited

Nominated Advisor

Smith & Williamson Corporate Finance

Bankers

Hellenic Bank Public Company Ltd
Barclays Wealth, Isle of Man
UBS AG, Switzerland
OJSC Bank St. Petersburg, Russian Federation
OJSC Krayinvest, Russian Federation
PJSC Raiffeisen Bank Aval, Ukraine
OJSC Fidobank, Ukraine

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