9 April
2014

Arricano Real Estate plc

("Arricano" or the "Company" or, together with its subsidiaries, the "Group")

Final Results for the 12 months ended 31 December 2013

Arricano is one of the leading real estate developers and operators of shopping centres in the Ukraine. Today, it has a portfolio covering 113,800 sqm of leasable space within which Arricano owns and operates four completed shopping centres, an interest in Sky Mall with 68,000 sqm of leasable space and a further four shopping sites under development.

Highlights

- Recurring revenues increased to USD25.3 million (2012: USD16.4 million)
- Profit before tax was USD4.1 million (2012: USD21.3 million) with underlying profit before tax (excluding benefits from revaluation of the portfolio) was USD2.4 million (2012: loss of USD5.6 million)
- Reporting date cash balance of USD11.8 million
- Adjusted diluted net asset value per share was USD2.24 as at 31 December 2013
- Total fair valuation of the Company's portfolio was USD287.8 million as at 31 December 2013 (2012: USD161.2 million), which excludes the fair value of Sky Mall
- Occupancy rates for 2013 rose to 98.3 per cent. (2012: 96.8 per cent.)
- As at 31 December 2013, the Company's borrowings at project level remain at a conservative level with a loan to value ratio of 25.2 per cent.

Rupert Cottrell, Chairman of Arricano, commented: "2013 was a year of solid progress for Arricano, one which saw the Company begin trading on the AIM market of the London Stock Exchange and at the same acquire a land portfolio with planning to develop four shopping centre and entertainment complexes, to add to the Group's existing completed portfolio. Recurring revenues increased significantly compared to the previous year and the Company therefore has a stable base from which to operate."

For further information please contact:

Arricano Real Estate plc Tel: +380 44 569 6708
Yarema Kovaliv/Oleg Pryimak

Financial PR
Novella Tel: +44 (0)20 3151 7008
Tim Robertson/Ben Heath

Nominated Adviser and Joint Broker:
Smith & Williamson Corporate Finance Limited Tel: +44 (0)20 7131 4000
Azhic Basirov / Siobhan Sergeant / Oliver Cummings

Joint Broker:
Whitman Howard Limited Tel: +44 (0)20 7087 4555
Ranald McGregor-Smith

Chairman's Statement

Introduction

I am pleased to be able to provide Arricano's maiden set of full year results following its admission to

AIM in September 2013. The Company has made good progress during the period under review and has re-enforced its position as one of the leading real estate developers and operators of shopping centre and entertainment complexes in Ukraine.

Today, Arricano has 113,800 sqm of completed assets spread across four shopping centres in which occupancy is high at 98.3 per cent. that generated rental income of approximately USD25 million for the year ended 31 December 2013. In addition to the Company's four shopping centres, the Company also owns title rights for 185,567 sqm of development land divided into four specific sites which are at varying stages of development and has an interest in Sky Mall with 68,000 sqm of leasable area.

The Company's portfolio of assets was externally and independently valued as at 31 December 2013 by Expandia LLC, part of the CBRE Affiliate Network. The expanded portfolio was valued at USD287.8 million, including property under construction and prepayments that are stated at cost for total amount of USD39.2 million.

Strategy

Our commercial objective is to use the cash generative completed portfolio to support the addition of further lettable space and the development of new shopping centre and entertainment complexes. 2013 saw the Company successfully pursue this strategy by growing recurring revenues through securing new tenants, improving average letting rates and the Company's stock market listing.

As part of the listing on the AIM market of the London Stock Exchange, the Company raised a net USD23 million through a placing of new ordinary shares and issued 28,350,214 Ordinary Shares (equivalent to approximately USD66 million) to Vunderbuilt S.A. in exchange for ownership of the four development sites. Arricano as part of this transaction also took over the benefit of certain shareholder loans relating to these sties arranged by the beneficiary of Vunderbuilt S.A. The IPO enabled the Company to acquire this new land bank to develop, thereby substantially increasing the scale of the business.

The Company's strategy has remained unchanged and the second half of the financial year saw the Company continue to use its asset management skills to increase the long term value of the portfolio, manage over 440 tenants and continue to move forward the development opportunities across the Group.

Managing risk has always been an important part of the Company's strategy and to this end, we seek to pre-let and secure anchor tenants for future projects and keep speculative development to a minimum.

The Market

While there are always challenges to overcome, Arricano has been successfully operating in the Ukraine since 2007. There have been many changes in the market in that time but the Company has consistently commissioned a new project every year since then. Our aim is to build long term shareholder value and we believe Ukraine remains severely structurally undersupplied in terms of good to high quality retail space. Sentiment has been affected by the current market conditions and the Company is taking a more cautious approach to the pace of the development pipeline but existing projects are continuing albeit with a focus on mitigating risk where appropriate.

The Board and Management

In December 2013, Emil Budilovsky, Chief Executive Officer of Arricano stepped down from his role with the Company for personal reasons. His position has been covered by Yarema Kovaliv, previously Head of the Company's legal department, on an interim basis. The search for a new CEO is underway while at the same time the Board is confident the Company is in safe hands under the guidance of Yarema Kovaliv. Tetyana Kolesnyk, Head of Planning and Reporting, has also taken on the financial management role following the departure of Maxim Goncharuk who was Chief Financial Officer (non-Board position).

Outlook

The Group believes that it is well positioned to capitalise on the under developed retail real estate market in Ukraine. However, it is likely that progress at least in the first half of the current financial year will be slower than originally anticipated due to the general political and economic uncertainty. The South Gallery in Simferopol (Crimea) continues to operate as before and we will monitor the situation there closely. Everyone connected to the Company is hoping for a peaceful solution over the coming months, though there is likely to be an impact on the capital markets while issues remain unresolved. However, at the time of release of this statement for Arricano, there has been no material impact on the underlying trading and it remains 'business as usual', with new leases continuing to be signed, loans extended and rents paid.

Rupert Cottrell
Chairman
8 April 2014

Chief Executive Officer's Report

Introduction

I am pleased to be able to report on a successful year which saw the Company list on the AIM market and substantially increase the size and potential of the business. We began the year with five completed assets (in the case of Sky Mall, an interest in) and at the time of the IPO acquired a development pipeline with the potential to establish four more shopping centre and entertainment complexes.

From our headquarters in Kyiv, we have a successful asset management team who have assisted in maintaining high levels of occupancy across the portfolio, pushing through appropriate rental increases and responding to the requirements of over 440 tenants occupying our completed portfolio.

The Company is in a healthy position. We own and operate four shopping centres and entertainment complexes generating strong and predictable cashflows which support our aim to develop similar sites in other under supplied areas in Ukraine. We are continuing this strategy whilst ensuring we do so on a risk averse basis.

Results

In terms of the financial performance, the Company has completed a successful year which saw recurring revenues increase significantly to USD25.3 million (2012: USD16.4 million), reflecting the additional revenues following the opening of RayON trade centre in August 2012. Profit before tax was USD4.1 million (2012: USD21.3 million) with underlying profit before tax (excluding benefits from revaluation of the portfolio) of USD2.35 million (2012: loss of USD 5.6 million). There were a series of one off costs in the prior year but nevertheless, the trading performance shows the improved cash generation from the completed portfolio.

The annual revaluation of the Group's portfolio as at 31 December 2013, valued the portfolio at USD287.8 million compared to USD161.2 million in the prior year. The current valuation includes the acquisition of the development land and property under construction valued at USD86.9 million and USD38 million of direct additions to the investment property during the period. The revaluation on a comparable basis showed a small uplift of USD1.7 million. A value of USD20.7 million is attributed to the Company's interest in the holding company of Sky Mall, compared to a fair value of USD209.4 million as at 31 December 2014.

Bank debt at the year-end was USD72.7 million, the majority of which is secured on individual assets, with interest rates in a range of 4.73 per cent. - 11.5 per cent. and weighted average rate of borrowings at a project level of 8.83 per cent.. Loans mature between 2018-2020 and the Company's loan to value ratio is a comparatively low 25 per cent. In addition there was USD11.8 million of free cash, as at 31 December 2013.

All loans are denominated in US dollars and all rents are linked to US dollars. The Company pays a portion of its operating costs in the Ukrainian Hryvnia specifically to cover marketing and administrative expenses, therefore fluctuations between the US dollar and the Hryvnia can affect the profitability of the Company.

The Board is not recommending a dividend for this period, however, it is the Company's intention to make distributions to shareholders in the future in line with the profitability of the business.

The Market

Arricano is focused on generating value for shareholders over the long term. Our experiences of working in the Ukrainian and neighbouring markets show that there is a strong desire amongst consumers to adopt western shopping habits and follow similar retail trends. Today, the Ukrainian market is severely structurally under supplied and in establishing and extending Arricano's presence we are seeking to address this market opportunity by developing shopping formats that compare favourably to Western Europe and provide innovative, modern, retail environments offering a good mix of domestic and international retailers.

Operational Overview

We have an asset management team which is 123 people strong and we divide our activities into three main areas: investment, property management and development. Our focus is on maximising the potential of the existing completed portfolio, examining opportunities to extend this portfolio ideally on a pre-let basis and securing appropriate rental increases in line with the success of the individual developments.

Operating Portfolio

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

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 to 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 35,500 sq. m. 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.

Key statistics

- GLA - c. 35,500 sq. m.
- Vacancy rate as at 31 December 2013 - 2.9 per cent.
- Average monthly rental rate - USD9.45/sq. m. as at 31 December 2013
- Visitors (2013) - 3.79 million
- Bank debt at 31 December 2013 - USD15.3 million
- Valuation at 31 December 2013 - USD28.9 million

City Mall (Zaporizhzhia)

City Mall is one of the largest shopping centres in Zaporizhzhia with a total GLA of approximately 21,400 sq. m. 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 10 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. 21,400 sq. m.
- Vacancy rate as at 31 December 2013 - 0.54 per cent.
- Average monthly rental rate - USD17.09/sq. m. as at 30 June 2013
- Visitors (2013) - 4.86 million
- Bank debt at 31 December 2013 - USD14.2 million
- Valuation at 31 December 2013 - USD36.5 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 ha. 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 designed to become a regional destination shopping centre with a total GLA of approximately 32,800 sq. m.

Key statistics (Phase I)

- GLA - c. 13,100 sq. m.
- Vacancy rate as at 31 December 2013 - 0 per cent.
- Average monthly rental rate - USD6.09/sq. m. as at 31 December 2013
- Visitors (2012) - unknown*
- Bank debt at 31 December 2013 - USD8.0 million
- Valuation at 31 December 2013 - USD40 million (including Phase II)

* The current project does not use counters to register visitor numbers. Although the Group's

management uses estimates for visitor numbers, these estimates are derived from turnover data obtained directly from retailers which are not permitted to be disclosed.

Phase II

- GLA - c. 19,700 sq. m.
- 70 per cent. let with a vacancy rate of 30 per cent.

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 24,100 sq. m 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. 24,100 sq. m.
- Vacancy rate as at 31 December 2013 - 1.9 per cent.
- Average monthly rental rate - USD31.00/sq. m. as at 31 December 2013
- Visitors (2013) - 5.17 million
- Bank debt at 31 December 2013 - USD24.8 million
- Valuation at 31 December 2013 - USD68.3 million

A claim has been lodged with the Commercial Court in Kyiv contesting the Group's ownership of RayON. On 5 March 2014, as part of the standard procedure in respect of this type of dispute, the Court made an interim ruling preventing any disposal of RayON. Arricano has no intention of disposing of the asset in the short to medium term and so is unaffected by this ruling.

Arricano is confident this case is without foundation and its ownership of RayON is legally demonstrable; a fact further supported by the USD25 million refinancing which involved a review by the lender into the asset. Importantly, the Company can also confirm RayON continues to operate as normal and it does not anticipate any disruption to trading.

Portfolio-Investment Property

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 sq. m, 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 the holding company of the asset and continues to investigate the possibility of acquiring the remaining interests from the current co-owner.

It is anticipated that the third phase, which may be developed provided such development will be feasible at the time, would add a further GLA of approximately 46,500 sq. m. The third phase of development envisages an extension of the existing gallery with the addition of retail, leisure and entertainment space and the development of a number of stand-alone ("big box") retailers (furniture and DIY). Several preliminary concepts are available for the development of the third phase.

Key statistics

- Arricano ownership - 49.97 per cent.
- GLA - c. 68,000 sq. m.
- Valuation at 31 December 2013 - USD209.4 million

- Book value at 31 December 2013 - USD20.7 million*

* A value of USD20.7 million is attributed to the Company's interest in the holding company of Sky Mall in the Company's financial statements.

Development Properties

Prospect/Krasnotkatska (Kyiv)

The Prospect/Krasnotkatska development property is located directly on the inner ring road of Kyiv on the left bank of the Dnipro river in the Desnianskyi administrative district, with 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 Prospect/Krasnotkatska development property is being constructed on a site of about 5.79 ha and will consist of a two-storey retail and leisure complex with a total gross building area of approximately 44,100 sq. m. (excluding roof and surface parking and excluding the hypermarket building referred to below), an expected GLA of approximately 30,400 sq. m. and parking. The construction works are in an advanced stage. The Company plans to open the centre by the end of the third quarter of 2014.

The project has a joint venture with an SPV of retail operator Auchan, Real Estate F.C.A.U LLC, to construct and operate their own hypermarket block within the project with our estimated GBA of approximately 11,700 sq. m. (excluding parking).

Land plot:	5.79 hectares
Title:	leasehold title
Development:	retail, leisure and entertainment
Gross construction area (GBA):	c. 44,100 sq. m. (excluding roof and surface parking and excluding the hypermarket building)
Gross leasable area (GLA):	c. 30,400 sq. m. (excluding the hypermarket)
Parking:	To include roof parking, surface parking and basement parking
Type:	Regional mall (hypermarket anchored)
Bank debt:	up-to-USD 30 million facility from Ukrainian State Savings Bank
Bank debt principal balance:	USD 10 million
Construction start date:	Q4 2012
Forecast opening date:	Q4 2014

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 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 restaurants 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 sq. m. The Group obtained the relevant building consent 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.71,300 sq. m. for the shopping centre (plus c.38,500 sq. m. GBA for parking and c.6,600 sq. m. for the residential block)
Gross leasable area (GLA):	c.47,000 sq. m.
Gross saleable area:	c.5,000 sq. m.*
Parking spaces:	to include roof parking and underground parking
Type:	city shopping centre (pocket hypermarket anchored)

with residential

Expected construction start date:	Q4 2013
Forecast opening date:	Q4 2015

* This comprises mainly residential space with a small amount of commercial property.

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 38,000 sq. m., including a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court restaurants and a service area. The preliminary design concept of the project has been completed and the developer is currently applying for the relevant consents and permits, given current market conditions, completion is now targeted for 2016.

Land plot:	4.5 hectares
Location:	Odesa
Title:	buildings and companies owning the site have been purchased, but land title still needs to be allocated
Development:	retail, leisure and entertainment centre
Gross construction area (GBA):	c. 71,000 sq. m.
Gross leasable area (GLA):	38,000 sq. m.
Parking spaces:	1,387 (771 deck parking, 616 roof parking spaces)
Type:	Regional mall (hypermarket anchored)
Expected construction start date:	Q1 2015
Forecast opening date:	Q3 2016

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 ha. The Group is currently considering the best use of the site, which could include both residential and retail use. If the site is to be developed as a shopping centre, the management expects the GLA to be approximately 31,450 sq. m.

Outlook

Arricano is in a good position for the long term, it has relatively low borrowings, a cash generative portfolio of completed shopping centres and a strong pipeline of further development sites. The events unfolding politically will restrict and limit our activities to a certain extent and could have significant consequences in relation to the operations of the Group in a manner not currently determinable. However, looking further ahead we believe our business is in a market with significant long term upside.

Yarema Kovaliv
Acting Chief Executive Officer
8 April 2014

Finance Report

The Company's revenue mainly consists of rental income from the portfolio of the completed properties. During the year ended 31 December 2013 the Company's rental income comprised USD25 million (2012: USD16 million). The increase is attributable, primarily, to a full year of revenues from RayON which was opened in August 2012 and accounted for approximately 42 per cent. of the Group's revenues. On a like-for-like basis, rental income increased by 11 per cent. in 2013.

In 2013, the Company recognised a gain from revaluation of investment property of USD1.7 million (2012: USD27 million), which demonstrates that there were no significant fluctuations on property market during the year. The revaluation gain in 2012 was principally as a result of the recognition of RayON, in line with the Company's accounting policy.

The increase in rental income resulted in an increase in goods, raw materials and services used by USD0.5 million, or 83 per cent., as compared to the previous year. Operating expenses were USD12.7 million (2012: USD17.9 million). The 2012 results included allowance for bad debts of USD 6 million that was mainly attributable to the receivables from a related party under an ongoing bankruptcy procedure.

Employee costs increased by 40 per cent. for the year ended 31 December 2013 as compared to the previous year as a result of performance bonuses relating to the Company's results for 2012 and, for the relevant staff, the IPO in 2013 as well as the acquisition of new subsidiaries.

The resultant profit from operating activities (if excluding the revaluation gains) increased by USD13 million to USD8.8 million (2012: loss of USD 4.3 million).

Finance income in the year ended 31 December 2013 fell by USD2.5 million from USD6.3 million in 2012. The finance income in 2012 was mainly generated from the loan provided to Weather Empire. In July 2013, the Company signed an amendment to the loan agreement with this counterparty, according to which the interest rate was reduced from 11.85 per cent. to 3 per cent. Also in 2012 included in financial income was a finance lease gain amounting to USD2 million that arose due to a fall in land lease payment of the Sun Gallery project, that was further increased in 2013.

Agreed finance costs in 2013 increased to USD2.7 million, as a result of the agreed bank loans in 2013.

The Company's net profit for the year, ended 31 December 2013, was USD3.2 million (2012: USD19.8 million). Adjusting for the revaluation gains in the respective periods, the Company has achieved an uplift in net profits of approximately USD8.5 million.

Net Asset Value as at 31 December 2013 was USD231.5 million (2012: USD134.6 million), resulting in an Adjusted Net Asset Value per Share of USD2.24 (2012: USD1.58). The increase in NAV was driven principally by the placing for cash in September 2013 as well as the acquisition of further assets.

Total assets, as at 31 December 2013, amounted to USD410 million, an increase of 64 per cent. from the year end 31 December 2012 mainly relating to an increase in the value of investment property. During the year ended 31 December 2013, the Company obtained USD87 million through acquisition of new subsidiaries and USD38 million increase was achieved by direct additions. At the same time the Company's net cash outflows for construction amounted to USD41 million.

Cash balance as at 31 December 2013 amounted to USD11.8 million (2012: USD7.57 million).

In 2013 the Group entered to loan agreements with the following counterparties:

1) OJSC "Bank "St. Petersburg" - for the total amount of USD25 million - to finance construction

2) PJSC "State Savings Bank of Ukraine" - for the total amount of USD30 million - to finance construction (as at 31 December 2013 only USD10 million has been drawn down)

3) PJSC "Raiffeisen Bank Aval" - for the total amount of USD15 million - to refinance existing borrowings

4) Related parties - for the total amount of USD36.98 million- to refinance existing borrowings

Thus, during the year the Company attracted USD86 million from borrowings, net of transaction costs, and USD57 million were repaid.

At acquisition of subsidiaries in 2013, the Company agreed deferred consideration of USD20 million to be paid by April 2015. This amount was recognized within other liabilities of the Company.

Tetyana Kolesnyk
Acting Chief Financial Officer
8 April 2014

Group Income Statement		**Year Ended 31 December 2013**	Year Ended 31 December 2012

	Note	US$'000	US$'000
Revenue	17	**25,299**	16,421
Other income		**1,233**	554
Gain on revaluation of investment property	5	**1,751**	26,893
Goods, raw materials and services used		**(983)**	(536)
Operating expenses		**(12,727)**	(17,885)
Employee costs		**(3,789)**	(2,708)
Depreciation and amortisation		**(249)**	(166)
Profit from operating activities		**10,535**	22,573
Finance income		**3,831**	6,316
Finance costs		**(10,265)**	(7,562)
Profit before income tax		**4,101**	21,327
Income tax expense		**(904)**	(1,504)
Net profit for the year		**3,197**	19,823
Items that will not be reclassified to profit or loss:			
Foreign currency translation differences		**-**	24
Total items that will not be reclassified to profit or loss		**-**	24
Other comprehensive income		**-**	24
Total comprehensive income for the year		**3,197**	19,847
Weighted average number of shares (in shares)	12	**84,262,942**	36,354,603
Basic and diluted earnings per share (USD)		**0.03794**	0.54527

Balance Sheet		As at **31 December 2013**	As at 31 December 2012

	Note	US$'000	US$'000
Assets			
Non-current assets			
Investment property	*5*	**287,799**	161,216
Available-for-sale financial assets	*6*	**20,727**	20,727
Deferred tax asset		**1,520**	956
Long-term loans receivable	*7*	**1,519**	1,473
Long-term VAT recoverable		**10,882**	5,630
Property and equipment		**537**	455
Intangible assets		**64**	91
Restricted deposits	*10*	**820**	-
Total non-current assets		**323,868**	190,548
Current assets			
Inventories		**4**	91
Trade and other receivables		**4,324**	3,637
Loans receivable	*7*	**48,469**	43,766
Prepayments made and other assets	*9*	**10,116**	651
VAT recoverable		**4,612**	3,825
Cash and cash equivalents	*10*	**11,840**	7,565
Restricted deposits	*10*	**663**	-
Assets classified as held for sale	*8*	**5,833**	-
Total current assets		**85,861**	59,535
Total assets		**409,729**	250,083

Balance Sheet *continued*		**As at 31 December 2013**	As at 31 December 2012
	Note	**US$'000**	US$'000
Equity and Liabilities			
Equity			
Share capital	*11*	**67**	54
Share premium		**183,727**	159,981
Additional paid-in capital		**59,713**	59,713
Retained earnings		**50,509**	47,312

Other reserves		**(61,983)**	(131,980)
Foreign currency translation differences		**(512)**	(512)
Total equity		**231,521**	134,568
Non-current liabilities			
Long-term borrowings	*13*	**62,391**	33,008
Advances received	*15*	**2,900**	3,534
Finance lease liability	*14*	**11,248**	3,252
Other long-term liabilities	*16*	**10,222**	-
Deferred tax liability		**5,443**	3,975
Total non-current liabilities		**92,204**	43,769
Current liabilities			
Short-term borrowings	*13*	**40,623**	43,324
Trade and other payables		**13,745**	23,993
Tax payables		**272**	133
Advances received	*15*	**20,628**	4,294
Current portion of finance lease liability	*14*	**89**	2
Other liabilities	*16*	**10,151**	-
Liabilities classified as held for sale		**496**	-
Total current liabilities		**86,004**	71,746
Total liabilities		**178,208**	115,515
Total equity and liabilities		**409,729**	250,083

Consolidated Cash Flow Statement		**Year Ended 31 December 2013**	Year Ended 31 December 2012
	Note	**US$'000**	US$'000
Cash flows from operating activities			
Profit before income tax		**4,101**	21,327
Adjustments for:			
Finance income		**(3,831)**	(6,316)
Finance costs		**10,265**	7,562
Gain on revaluation of investment property	*5*	**(1,751)**	(26,893)
Loss on sale of investment property		**-**	51

Depreciation and amortization		**249**	166
Write-off of prepayments		**-**	1,161
Allowance for bad debts		**541**	6,149
		———	———
Operating cash flows before changes in working capital		**9,574**	3,207
		———	———
Change in inventories		**87**	(76)
Change in trade and other receivables		**(923)**	(4,973)
Change in prepayments made and other assets		**(496)**	(1,376)
Change in VAT recoverable		**1,966**	1,564
Change in trade and other payables		**(1,202)**	1,614
Change in advances received		**1,064**	126
Change in other liabilities		**(31)**	-
Income tax paid		**-**	(12)
Interest paid		**(11,578)**	(3,578)
		———	———
Cash flows used in operating activities		**(1,539)**	(3,504)
		———	———
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**4,233**	-
Acquisition of investment property		**(41,172)**	(9,889)
Acquisition of property and equipment		**(296)**	(432)
Proceeds from sale of investment property		**-**	214
Change in prepayments made and other assets		**(5,217)**	-
Change in advances received		**4,801**	-
Loans granted		**(240)**	(498)
Loans repaid		**85**	1,450
Change in VAT recoverable		**(5,426)**	(4,368)
Placement of the restricted deposit		**(1,483)**	-
Interest received		**156**	-
		———	———
Cash flows used in investing activities		**(44,559)**	(13,523)
		———	———

Consolidated Cash Flow Statement *continued*		**Year Ended**	Year Ended

		31 December 2013	31 December 2012
	Note	**US$'000**	US$'000
Cash flows from financing activities			
Proceeds from issue of shares, net of equity costs		**22,243**	32
Proceeds from borrowings, net of transaction costs		**85,945**	50
Repayment of borrowings		**(57,015)**	(7,663)
Finance lease payments		**(797)**	(514)
Other movements		**(3)**	-
Cash flows from (used in) financing activities		**50,373**	(8,095)
Net increase (decrease) in cash and cash equivalents		**4,275**	(25,122)
Cash and cash equivalents at 1 January		**7,565**	32,687
Cash and cash equivalents at 31 December		**11,840**	7,565

Non-cash movements

During the year ended 31 December 2013, acquisition of investment property of USD 5,144 thousand was financed through finance leases (2012: USD 1,686 thousand).

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balances at 1 January 2012	**9**	**89,994**	**59,713**	**27,489**	**(61,980)**	**(536)**	**114,689**
Total comprehensive income for the year							
Net profit	-	-	-	**19,823**	-	-	**19,823**
Foreign currency translation differences	-	-	-	-	-	**24**	**24**
Total other comprehensive income	-	-	-	-	-	**24**	**24**
Total comprehensive income for the period	-	-	-	**19,823**	-	**24**	**19,847**
Transactions with owners, recognised directly in equity							

Contribution from shareholders	45	69,987	-	-	-	-	70,032
Shares to be forfeited	-	-	-	-	(70,000)	-	(70,000)
Total transactions with owners	45	69,987	-	-	(70,000)	-	32
Balances at 31 December 2012	54	159,981	59,713	47,312	(131,980)	(512)	134,568

	Attributable to equity holders of the Company						
	Share capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Foreign currency translation differences	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balances at 1 January 2013	54	159,981	59,713	47,312	(131,980)	(512)	134,568
Total comprehensive income for the year							
Net profit and total other comprehensive income	-	-	-	3,197	-	-	3,197
Total comprehensive income for the period	-	-	-	3,197	-	-	3,197
Transactions with owners, recognised directly in equity							
Forfeiture of shares (see note 11)	(13)	(69,987)	-	-	-	-	70,000
Reversal of reserve for unpaid shares (see note 11)	-	-	-	-	70,000	-	(70,000)
Contribution from shareholders	26	93,733	-	-	-	-	93,759
Other movements	-	-	-	-	(3)	-	(3)
Total transactions with owners	13	23,746	-	-	69,997	-	93,756
Balances at 31 December 2013	67	183,727	59,713	50,509	(61,983)	(512)	231,521

1 Background

(a) Organization and operations

Arricano Real Estate PLC (formerly Arricano Trading Limited) ("Arricano" or the" Company") is a public company that was incorporated in Cyprus under the provisions of the Cyprus Companies Law, Cap.113, and is admitted to trading on the AIM market of the London Stock Exchange ("London AIM"). The Company's registered address is office 1002, 10th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus. Arricano and its subsidiaries and special purposes entities 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 2013, the Group operates four trade centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total area of over 113,800 square meters and is in the process of development of four new investment projects in Kyiv and Odesa.

(b) Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. 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.

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 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. These consolidated financial statements do not include any adjustments for the impact of events in Ukraine that have occurred after the reporting date.

(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 into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through "bail in". During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

The negotiations of the Cyprus Government with the European Commission, the European Central Bank and the International Monetary Fund (the "Troika"), in order to obtain financial support, resulted in an agreement and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

On 22 March 2013 legislation was enacted by the House of Representatives concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. The temporary restrictive measures, with respect to banking and cash transactions include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of certain maturing deposits.

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations.

On 12 April 2013 the Eurogroup welcomed the agreement that was reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus. Subsequently all the necessary procedures for the formal approval of the Board of Directors of the European Stability Mechanism were completed, as well as the ratification by Eurozone member states. Following the completion of the above procedures, the first tranche of the financing of the Republic of Cyprus was released in line with the provisions of the Memorandum.

Following the positive outcome of the first and second quarterly reviews of the Cyprus economic programme by the European Commission, the European Central Bank and the International Monetary Fund, during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The current economic environment of Cyprus will not have a significant impact on the operations of the Group and the Group does not hold significant funds in Cypriot financial institutions. The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

The Group's management believes that it is taking all 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

(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 Hryvnias (UAH) as their functional currency.

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 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.

The relevant exchange rates, provided by the National Bank of Ukraine, used in translating the consolidated financial statements of the Group into USD were:

Year-end 2013 exchange rate: USD 1 = UAH 7.9930 (2012: 7.9930)

Average 2013 exchange rate: USD 1 = UAH 7.9930 (2012: 7.9911)

As there were no significant fluctuations of the USD/Hryvnia exchange rate during the year ended 31 December 2013, for practical reasons, the average exchange rate for the year has been applied for translation of the statement of profit or loss and other comprehensive income.

(d) **Changes in accounting policy**

With effect from 1 January 2013, the Group has adopted Amendments to IAS 1 *Presentation of items of other comprehensive income*, IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, IFRS 13 *Fair Value Measurement* and IFRS 10 *Consolidated Financial Statements*.

Amendments to IAS 1 *Presentation of items of other comprehensive income* requires an entity to present separately items of other comprehensive income that could be reclassified in the future to profit or loss from those items that will never be reclassified to profit or loss. In addition, according to the Amendment, the title of statement of comprehensive income was changed to statement of profit or loss and other comprehensive income. Application of Amendments to IAS 1 did not have significant impact on these consolidated financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. Application of amendments to IFRS 7 did not have significant impact on these consolidated financial statements.

IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. Application of IFRS 13 resulted in extended disclosures in respect of fair value of investment property made in these consolidated financial statements (refer to note 5 (b)).

IFRS 10 *Consolidated Financial Statements*introduces a single control model that applies to all entities including special purpose entities. IFRS 10 supersedes a part of previously effective IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*. The new standard changes the definition of control such that an investor controls an investee when:
- it has power over the investee;
- it is exposed, or has rights, to variable returns from its involvement with the investee, and
- it has the ability to affect those returns through its power over the investee (i.e. there is a link between power and returns).

Application of this standard had no impact on consolidation of the Group's investees.

(e) **Going concern**

The Group incurred negative cash flows from operating activities amounting to USD1,539 thousand in 2013 and as at 31 December 2013, the Group's current liabilities exceed current assets by USD143 thousand. During the year ended 31 December 2013 the Group was actively involved in construction of trade centers in Kyiv and Simferopol, which required significant financing and resulted in deteriorated liquidity position. Also, management exercises significant judgment in presentation of loans receivable amounting to USD 46,552 thousand within current assets (see note 7). This amount includes the loan receivable from a related party of USD 38,579 thousand with a contractual maturity of 31 December

2014 and the loan receivable from a third party of USD 7,973 thousand with a contractual maturity of 31 December 2013.

At the same time, the Group has generated a net profit of USD 3,197 thousand for the year ended 31 December 2013 and as at that date has positive equity of USD 231,521 thousand.

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

- During the year ended 31 December 2013, the Group finalised construction of the second phase of South Gallery trade centre located in Simferopol, and on 27 February 2014 the second phase of this trade centre started its operations. In accordance with the budget for 2014, revenue to be generated by this trade centre is planned at the level of USD 2,800 thousand. Management believes that operations of the second phase of South Gallery will contribute to positive operating cash-flows of the Group in 2014.

- As at 31 December 2013, the undrawn credit facilities from PJSC "State Savings Bank of Ukraine" (Oshchadbank) amount to USD 20,000 thousand, which will be used to finance ongoing construction of the trade centre in Kyiv. The Group plans to finalise the construction of this trade centre in the third quarter of 2014 and to generate rental income from operations of this trade centre of USD 3,566 thousand in 2014.

Management believes that the measures that it undertakes, as described above, will allow the Group to operate on a going concern basis in the foreseeable future. Therefore, management believes that the going concern basis for preparing these consolidated financial statements is appropriate and there is no significant uncertainty regarding the Group's ability to continue as a going concern.

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.

3 Significant accounting policies

The accounting policies are applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except for the changes described in note 2 (d).

4 Acquisition of subsidiaries

On 12 September 2013 the Group acquired Twible Holdings Limited and its subsidiary LLC Comfort Market Luks, Gelida Holding Limited and its subsidiary LLC Mezokred Holding, Sapete Holdings Limited and its subsidiary LLC Vektor Capital, Wayfield Limited and its subsidiary LLC Budkhol from entities under the common control of the Company's main ultimate beneficial owner. The acquisition of these subsidiaries was accounted for as an acquisition of assets and liabilities as they did not meet the definition of a business according to IFRS 3 *Business Combinations* and the Group has transferred 28,350,214 ordinary shares issued for the purposes of IPO in exchange for these assets and liabilities. In addition, the Group has agreed to pay deferred consideration related to acquisition of the shares of Wayfield Limited and its subsidiary LLC Budkhol via cash payment of USD 20,000 thousands in two tranches. The first tranche amounting to USD 10,000 thousand is to be paid before 30 April 2014, while the payment of the second tranche may be deferred to not later than 30 April 2015, at the sole discretion of the Board of Directors of the Company. The Group management expects that it will exercise its right to defer the settlement of the second tranche until 30 April 2015; therefore deferred consideration amounting to USD 10,000 thousand is presented within non-current liabilities. The Group is liable to pay quarterly interest on any deferred consideration outstanding at the rate of 9.75% per annum.

The fair value of the shares transferred in the above transaction was determined by the reference to the market price of the Company's ordinary shares of USD 2.33 per share. This price was determined based on the price of shares settled by a third party in cash on the date the Company was admitted for trading. An excess of the fair value of the acquired assets and liabilities over the fair value of shares transferred and deferred consideration payable was recognised as contribution from the shareholder within share premium. The cost of the acquisition was allocated to the assets and liabilities acquired based on their relative fair values as follows:

(in thousands of USD)	
Investment property	**86,859**
Long-term VAT recoverable	**2,579**
Property and equipment	**8**
Trade and other receivables	**15**
Loans receivable	**1,209**
Prepayments made	**3,752**
Cash and cash equivalents	**4,233**
Assets classified as held for sale	**5,833**
Finance lease liability	**(2,155)**

Other long-term liabilities	(253)
Short-term borrowings	(2)
Trade and other payables	(206)
Tax payables	(25)
Advances received	(9,835)
Liabilities classified as held for sale	(496)
Net identifiable assets and liabilities	91,516
Deferred consideration (see note 16)	20,000
Fair value of the shares transferred (see note 11)	66,056
Fair value of consideration transferred	86,056
Contribution from shareholders	5,460

The share purchase agreements stipulate that certain loans payable by the acquired subsidiaries to a third party and entities under common control are to be re-assigned to Arricano for a nominal amount of EUR 1 each. Accordingly, as at the date of acquisition the relative fair value of these loans is considered to be nil despite that formal legal procedures for loan re-assignment were substantially completed in the fourth quarter of 2013.

As at 12 September 2013, included in investment property are priority land lease rights for three land plots located in Odesa amounting to USD 10,900 thousand in total. These priority land lease rights were recognised since LLC Vektor Capital, being the owner of non-residential premises located on these land plots, had priority right to conclude land lease agreements with Odesa City Council. On 17 December 2013 this land lease agreement was approved to be concluded with formal sign-off finalised on 20 March 2014 (refer to note 14).

5 Investment property

(a) Movements in investment property

Movements in investment properties for the year 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 2012	10,100	7,684	64,467	19,506	1,221	102,978
Additions	22	1,686	9,985	6,564	13,408	31,665
Transfers*	-	-	35,245	(26,067)	(9,178)	-
Disposals	(118)	-	(147)	-	-	(265)
Fair value gains (losses) on revaluation	(800)	1,002	26,691	-	-	26,893
Effect of movement in exchange rates	(4)	(3)	(43)	(3)	(2)	(55)
At 31 December 2012/ 1 January 2013	9,200	10,369	136,198	-	5,449	161,216
Additions	**-**	**5,144**	**199**	**11,672**	**20,958**	**37,973**
Additions through assets acquisition	**-**	**62,256**	**-**	**1,244**	**23,359**	**86,859**
Transfers**	**-**	**-**	**23,453**	**(5,412)**	**(18,041)**	**-**
Fair value gains (losses) on revaluation	**(200)**	**(300)**	**2,251**	**-**	**-**	**1,751**

At 31 December 2013	9,000	77,469	162,101	7,504	31,725	287,799

* In August 2012, the trade centre "RAYON" with total gross leasable area (GLA) over 24,000 square meters started its operations in Kyiv and associated ownership rights were obtained by the Group.

** As at 31 December 2013 the Group had not obtained the title documents for the second phase of South Gallery trade centre with a total GLA of nearly 20,000 square meters and a carrying value of USD 22,866 thousand (refer to note 1(b) and 20 (c)). On 27 February 2014 the second phase of this trade centre started its operations. Management expects that associated title documents will be obtained subject to completion of formal legal procedures.

During the year ended 31 December 2013, capitalised borrowing costs related to the construction of the new trade centres amounted to USD 795 thousands (2012: nil), with a capitalisation rate of 11% (2012: nil).

As at 31 December 2013, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 193,111 thousand (31 December 2012: USD 84,500 thousand) (see note 18(a)).

(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. To assist with the estimation of the fair value of the Group's investment property as at 31 December 2013, which is represented by the trade 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 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 2013, 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 which were based on contractual and market rental rates ranging from USD 3.00 to USD 48.70 per sq.m., occupancy rates ranging from 95.00% to 99.00% and discount rates ranging from 13.50% to 17.20% p.a, which represent key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

As at 31 December 2012, 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 which were based on contractual and market rental rates ranging from USD 3.00 to USD 45.60 per sq.m., occupancy rates ranging from 80.00% to 99.90%, and discount rates ranging from 14.00% to 16.00% p.a., which represent key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

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

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2013 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 1,756 thousand (2012: USD 1,457 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 1,756 thousand (2012: USD 1,457 thousand) higher. If the discount rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 11,747 thousand (2012: USD 9,590 thousand) lower. If the discount rate is 1% less, then the fair value of investment properties would be USD 13,563 thousand (2012: USD 11,046 thousand) higher.
- If the occupancy rates are 1% higher than those used in the valuation models, or are assumed to be 100% for the trade centers in Zaporizhzhya and Kyiv, the fair value of investment properties would be USD 1,813 thousand higher (2012: if the occupancy rates are 1% higher than those used in the valuation models, or are assumed to be 100% for the trade centers in Zaporizhzhya and Simferopol, the fair value of investment properties would be USD 1,778 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 3,040 thousand (2012: USD 2,233 thousand) lower.

6 Available-for-sale financial assets

As at 31 December 2013 and 2012, available-for-sale financial assets are represented by the investment in Assofit Holdings Limited, in which the Group holds 49.97% of nominal voting rights without retaining significant influence.

Assofit Holdings Limited (Assofit) is not a publicly listed entity and, consequently, does not have published price quotations of its shares. Also, management believes that the range and variability of fair value estimates for the investment in Assofit is significant. Thus, management believes that the fair value of the equity investment in Assofit cannot be measured reliably, therefore this equity investment is measured as cost less impairment.

As at 31 December 2013 and 2012, management assessed impairment indicators for the investment in Assofit. As a result of this analysis, management concluded that as at 31 December 2013 and 2012 there are no indicators of impairment of investment in Assofit based on the following:

- Historically, Assofit generated strong positive cash flows and the major underlying asset of Assofit is Skymall shopping centre that as at 31 December 2011 was measured at fair value, as determined by an independent qualified appraiser using the income approach. There were no decreases in rental rates for similar properties since that date which could materially decrease the fair value of the shopping centre. Also, many of the tenants have long-term contracts where only upward revision of rental rates is possible;
- Assofit is operating under direction of a receiver appointed by the court to protect the assets of Assofit. Therefore, potential transfer of significant assets from the entity is controlled by the Court appointed receiver;
- As at 31 December 2013 and 2012, significant portion of liabilities of Assofit are represented by loans payable by the Ukrainian subsidiary of Assofit, Prizma Beta LLC, to Filgate Credit Enterprises Limited. These loans together with accrued interest were to be assigned from Filgate Credit Enterprises Limited to Assofit for a nominal price of EUR 1 each. On 28 January 2014 the Highest Economic Court of Ukraine upheld the rulings of the lower instances courts and ruled to re-assign the abovementioned loans payable amounting to USD 120,000 thousand to Assofit. The above ruling of the Highest Court of Ukraine may be further appealed. This transfer shall significantly increase net assets of Assofit when and if transfer of such loans to the company, which is jointly owned by the Company and Stockman Interhold S.A., is completed.

7 Loans receivable

Loans receivable as at 31 December are as follows:

	2013	2012
(in thousands of USD)		
Non-current assets		
Long-term loans receivable due from third parties	**1,340**	-
Accrued interest receivable due from third parties	**179**	-
Long-term loans receivable due from related parties	**-**	1,340
Accrued interest receivable due from related parties	-	133
	1,519	1,473

Current assets		
Short-term loans receivable due from related parties	**31,917**	37,603
Accrued interest receivable due from related parties	**8,579**	6,163
Short-term loans receivable due from third parties	**7,050**	-
Accrued interest receivable due from third parties	**923**	-
	48,469	43,766

As at 31 December 2013 and 2012, the long-term loans receivable, including long-term accrued interest are due from the same party, which was classified as a related party as at 31 December 2012 and as a third party as at 31 December 2013 due to its disposal out of control of the ultimate controlling party. As at 31 December 2013, this long-term loan receivable amounting to USD 1,519 thousand, including accrued interest of USD 179 thousand, has maturity date on 31 December 2018, is unsecured and bears a 3.2% interest rate that is fully capitalised and repaid together with the principal. As at 31 December 2012, this loan amounted to USD 1,473 thousand, including accrued interest of USD 133 thousand. Included in short-term loans receivable as at 31 December 2013 are loans amounting to USD 7,973 thousand, including accrued interest of USD 923 thousand, which are due from the abovementioned party, which bear a 3.2% interest rate and are overdue. As at 31 December 2012, these loans were classified as due from related party and amounted to USD 7,747 thousand, including accrued interest of USD 697 thousand. The management of the Group believes that it will be able to recover these loans receivable due to the existence of sufficient assets of short-term nature at the borrower and, accordingly, this loan receivable is not considered to be impaired. Should actual collections prove to be less than management estimates, the Group will be required to record additional impairment expense in the next reporting period.

In July 2011 the Company granted a loan to Weather Empire Limited with the purpose of buying 1,077 shares in the Company's share capital from Retail Real Estate S.A. As at 31 December 2013, the resulting loan receivable of USD 38,579 thousand, including accrued interest of USD 8,579 thousand, is classified as short-term with a maturity date on 31 December 2014, is unsecured and bears a 3% fixed interest rate that is fully capitalised and repaid together with the principal. As at 31 December 2012, the abovementioned loan amounted to USD 35,466 thousand, including accrued interest of USD 5,466 thousand, bore an 11.85% fixed interest rate and was presented as short-term since management believed that the loan will be settled on 31 December 2013 according to its initial contractual maturity that has been renegotiated in July 2013 together with interest rate. The Group management exercises significant judgment in presentation of this loan due within current assets.

In July 2013 the shares of Weather Empire Limited were transferred to the Company's major shareholders pro-rata to their ownership rights due to non-exercising of the 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. (see note 11). Subsequent to this transfer, settlement of the loan by Weather Empire Limited depends on the intention and ability of the Company's majority shareholder to repay this loan. Management believes that the Company's majority shareholder will ensure repayment of the loan, therefore the loan is considered to be recoverable. Should actual collections prove to be less than management estimates, the Group will be required to record additional impairment expense in the next reporting period.

Included inshort-term loans receivable as at 31 December 2013 is also a loan due from PrJSC Dniprovska Prystan, a subsidiary of Assofit Holdings Limited, amounting to USD 664 thousand (31 December 2012: USD 498 thousand) which is overdue. The Group has significant influence over the operating activities of PrJSC Dniprovska Prystan by being significant creditor of this company, thus it is considered a related party to the Group. In 2012 the court ruled a decision to initiate bankruptcy proceedings against the mentioned related party and as at 31 December 2013 the decision which would declare PrJSC Dniprovska Prystan insolvent has not yet been made. The management of the Group believes that it will be able to recover the loan due to the existence of sufficient assets of short-term nature in PrJSC Dniprovska Prystan and, accordingly, the loan is not considered to be impaired as at 31 December 2013 and 2012.

As at 31 December 2013, remaining short-term loans receivable granted to related parties of USD 1,253 thousand are due within one year, unsecured and interest-free (31 December 2012: USD 55 thousand).

8 Assets held for sale

As at 31 December 2013, assets classified as held for sale are mainly represented by land plot with a carrying amount of USD 5,410 thousand. This land plot is intended to be transferred by one of the Group's subsidiaries, Comfort Market Luks LLC, to a third party by the end of 2014 in accordance with 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 total estimated area of

11,769 square meters and parking lot with a total estimated area of 20,650 square meters.

As at 31 December 2013, Comfort Market Luks LLC has received advance payment from this third party amounting to USD 14,636 thousand under the investment agreement (refer to note 15). Simultaneously, Comfort Market Luks LLC has concluded a contract of mandate, according to which this third party will act as a developer in construction of this hypermarket and parking lot. As at 31 December 2013, prepayment made to this third party and other assets under the contract of mandate amounted to USD 8,110 thousand and prepayment made to other thirds parties and other assets under the abovementioned investment agreement amounted to USD 784 thousand (refer to note 9).

9 **Prepayments made and other assets**

As at 31 December 2013, prepayments made are represented by prepayments made and other assets under the investment agreement and the associated contract of mandate for the amount of USD 8,894 thousand in total (refer to note 8) and other prepaid miscellaneous expenses in the amount of USD 1,222 thousand (31 December 2012: USD 651 thousand).

10 **Cash and cash equivalents**

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

	2013	2012
(in thousands of USD)		
Bank balances	**2,892**	6,112
Call deposits	**8,798**	1,453
Cash in transit	**150**	-
	11,840	7,565

As at 31 December 2012, in connection with its loans and borrowings, the Group pledged bank balances of USD 17 thousand (see note 18(a)).

Excluded from cash and cash equivalents as at 31 December 2013 are restricted deposits in the amounts of USD 663 thousand and USD 820 thousand with maturity in 2014 and 2020, respectively. These deposits serve as pledge under three different loan facilities (see note 18(a)).

As at 31 December 2013, cash and cash equivalents placed with two bank institutions amounted to USD 11,476 thousand, or 97% of the total balance of call deposits, cash and cash equivalents (31 December 2012: USD 7,497 thousand, or 99%). In accordance with Moody's rating, these banks are rated as A2 as at 31 December 2013 and 2012.

11 **Share capital**

Share capital as at 31 December is as follows:

	2013	**2013**	**2013**	2012	2012	2012
	Number of shares	**US dollars**	**EUR**	Number of shares	US dollars	EUR
Issued and fully paid						
At 1 January	**85,026,309**	**53,856**	**42,513**	6,462	8,667	6,462
Forfeiture of shares	**(20,406,309)**	**(12,789)**	**(10,203)**	-	-	-
Issue of shares	**38,650,637**	**25,683**	**19,325**	1,046,153	45,189	36,051
Division of shares	**-**	**-**	**-**	83,973,694	-	-
At 31 December	**103,270,637**	**66,750**	**51,635**	85,026,309	53,856	42,513
Authorised						
At 1 January	**85,026,320**	**53,856**	**42,513**	6,462	8,667	6,462
Forfeiture of shares	**(20,406,309)**	**(12,789)**	**(10,203)**	-	-	-

Increase of share capital	**41,379,989**	**27,497**	**20,690**	1,046,164	45,189	36,051
Division of shares	**-**	-	-	83,973,694	-	-
At 31 December	**106,000,000**	**68,564**	**53,000**	85,026,320	53,856	42,513
Par value, EUR	-	-	**0.0005**	-	-	0.0005

All shares rank equally with regard to the 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 Company.

During the years ended 31 December 2013 and 2012 the Group did not declare any dividends.

In August 2012, the shareholders of the Company decided to increase the authorised share capital by 25,848 ordinary shares at par value of EUR 1.00 each resulting to an authorized share capital of Euro 32.310 divided into 32.310 shares of EUR 1.00 each.

Initial public offering of the Company's shares

In 2012, the Company was contemplating an initial public offering of its shares (the "IPO") on the London AIM. The Company's authorized share capital was increased to meet the minimum requirements established for the share capital of public companies under the laws of Cyprus. On 12 September 2012 the authorised share capital of the Company was divided into 3,231,000 ordinary shares of nominal value Euro 0.01 each and on the same day the authorised share capital was further increased to Euro 42,513.16 divided into 4,251,316 ordinary shares of nominal value Euro 0.01 each by the creation of 1,020,316 ordinary shares of Euro 0.01 each. On 19 September 2012 the authorised share capital was further divided into 85,026,320 ordinary shares with nominal value of Euro 0.0005 each, of which 64,620,000 ordinary shares with nominal value of EUR 0.0005 each were allotted to existing shareholders.

Further, with a view to fulfill obligations of the Company under share purchase agreements with new investors, concluded with a view to facilitate the IPO process, on 26 September 2012 the Board of Directors of the Company took decision on allotment of 20,406,309 shares to new investors for total consideration of USD 70,000 thousand. As at 31 December 2012, these shares were unpaid.

Subsequent to allotment of these shares, the Company did not fulfill certain conditions stipulated in share purchase agreements. In particular, it had not completed the listing on the London AIM as well as it had not completed the purchase of certain properties for development. Under those circumstances, share purchase agreements require the Company and the investors to take all necessary steps to unwind the purchase of the shares by the investors. The Board of Directors of the Company made a call on unpaid shares by sending the necessary notices to investors. Further to the investors' non-compliance with the notices and non-payment of the consideration for the issue of the shares, on 16 April 2013 the Board of Directors of the Company initiated the procedure for the forfeiture of the shares in question. It was expected that upon completion of the forfeiture of the shares issued to the new investors, the Company's Board of Directors will make its decision with regards to the disposal of the shares forfeited as it deemed appropriate and in the interests of the Company. Thus, as at 31 December 2012 the effect related to forfeiture of the shares was recognised in other reserves within equity. Subsequently, in accordance with the decision of the Board of Directors of the Company, dated 25 May 2013, unpaid shares were legally forfeited, which resulted in a decrease in share capital by USD 13 thousand, share premium by USD 69,987 thousand and increase in other reserves by USD 70,000 thousand.

Further, as part of initial public offering of the Company's shares on the London AIM, on 20 July 2013 the Shareholders approved the increase of the Company's authorised share capital to EUR 53,000 (or USD 68,564) divided into 106,000,000 ordinary shares of nominal value EUR 0.0005 each.

On 12 September 2013 the Company was admitted for trading on London AIM. As a result of IPO, the Company placed 38,650,637 ordinary shares and had an effect on equity of USD 93,759 thousand. 28,350,214 ordinary shares were transferred to entities under common control as consideration for acquired subsidiaries at fair value of USD 66,056 thousand (see note 4) and 10,300,423 ordinary shares that were settled in cash at a price of USD 2.33 per share. Cash proceeds from placement of 10,300,423 ordinary shares, net of direct costs related to IPO process of USD 1,757 thousand, amounted to USD 22,243 thousand. As at 31 December 2013, 2,729,363 ordinary shares are not allotted and remain unpaid

Call option agreement with ELQ Investors II Ltd.

On 14 July 2011 the Company entered into a transaction pursuant to which ELQ Investors II Ltd., a wholly-owned subsidiary of the Goldman Sachs Group Inc, provided the Company with convertible loans in the maximum amount of up to USD 40 million at an interest rate of 11.5% per annum. Out of the maximum amount, USD 30 million was provided to the Company. The funds were used by the Company to provide a loan (with an initial interest at 11.85% p.a.) to Weather Empire Limited (a special purpose vehicle incorporated in the British Virgin Islands) in order to purchase 1,077 shares (or 16.67% of subscribed share capital) in the Company from Retail Real Estate S.A.

As part of the transaction, ELQ Investors II Ltd. received one Initial Arricano Share. The shares purchased by Weather Empire Limited were held under escrow by a Cypriot escrow agent, Themis Professional Services Limited. In accordance with a call option agreement, from 14 July 2011 ELQ Investors II Ltd. obtained the right to receive the entire issued capital of Weather Empire Limited, which in turn held the 1,077 ordinary shares of the Company, for USD 1. However, the conversion right expired in July 2013 and accordingly the loan due to ELQ Investors II Ltd became repayable. As at 31 December 2012, the loan payable to ELQ Investors II Ltd. was secured by the shares of O'Key Group held by a related party.

In July 2013, the Company entered into settlement and release deed, in accordance with which related parties of the Group and UBS AG agreed to settle the Company's indebtedness due to ELQ Investors II Ltd. Simultaneously, the Company concluded two loan agreements with these related parties amounting to USD 36,974 thousand in total. Loan amounting to USD 8,475 thousand was repaid on 20 September 2013. Loan amounting to USD 28,500 thousand is payable on demand by 17 December 2014 at the latest. Also, the Company issued the irrevocable guarantee to UBS AG securing the repayment of the loan obtained by the related party for the amount of USD 28,800 thousand and the interest accrued thereon.

12 Earnings per share

The calculation of basic earnings per share as at 31 December 2013 was based on the profit for the year ended 31 December 2013 attributable to ordinary shareholders of USD 3,197 thousand (2012: USD 19,823 thousand), and a weighted average number of ordinary shares outstanding as at 31 December 2013 of 84,262,942 (31 December 2012: 36,354,603). As described in note 11, in accordance with the decision of the Board of Directors in September 2012, authorised share capital of the Company's share capital was split into 85,026,320 ordinary shares with nominal value of Euro 0.0005 each and. Accordingly, this change in the number of shares was adjusted retrospectively (for the purpose of calculation of earnings per share) for all periods presented in these consolidated financial statements.The Group has no potential dilutive ordinary shares.

13 Loans and borrowings

This note provides information about the contractual terms of loans.

	2013	2012
(in thousands of USD)		
Non-current		
Secured bank loans	**62,391**	33,008
	62,391	33,008
Current		
Secured bank loans (current portion of long-term bank loans)	**10,277**	8,138
Unsecured loans from related parties	**30,309**	565
Unsecured loans from third parties	**37**	34,621
	40,623	43,324
	103,014	76,332

Terms and debt repayment schedule

As at 31 December 2013, the terms and debt repayment schedule of loans and borrowings are as follows:

	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
(in thousands of USD)				

Secured bank loans				
OJSC "Bank "St.Petersburg"	USD	10.50%	2020	24,849
EBRD	USD	3M LIBOR + 4.5%	2018	23,441
Raiffeisen Bank Aval	USD	10.75%	2020	14,287
Oshchadbank	USD	11.50%	2020	10,091
				72,668
Unsecured loans from related parties				
International Baltic Investments	USD	9.55%	2014	29,808
Loans from other related parties	UAH/ USD	0.00%	2014	501
				30,309
Unsecured loans from third parties				
Other	USD	3.20%	2013	37
				37
				103,014

	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
(in thousands of USD)				
Secured bank loans				
Ukrsibbank	USD	11.90%	2014	7,632
EBRD	USD	3M LIBOR + 4.5%	2018	33,514
				41,146
Unsecured loans from third parties				
ELQ Investors II Limited	USD	11.50%	2013	34,621
				34,621
Unsecured loans from related parties				
Loans from other related parties	UAH/ USD	0.00% - 3.20%	2012-2014	565
				565

				76,332

As at 31 December 2012, the terms and debt repayment schedule of loans and borrowings are as follows:

As at 31 December LIBOR for USD is as follows:

	2013	2012
LIBOR USD 3M	**0.24%**	0.31%

For a description of assets pledged by the Group in connection with loans and borrowings refer to note 18(a).

OJSC "Bank "St. Petersburg"

In April 2013, the Group concluded two loan agreements with OJSC "Bank "St. Petersburg" to settle the debts due to constructors in respect of the trade centre "RayON" located in Kyiv and to finance the construction of the trade centre "South Gallery" located in Simferopol for the amounts of USD 14,000 thousand and USD 11,000 thousand, respectively.

PJSC Raiffeisen Bank Aval

In June 2013, the Group concluded loan agreement with PJSC Raiffeisen Bank Aval for irrevocable credit line with a limit of USD 15,000 thousand to refinance existing borrowings. Credit line bears 10.75% interest rate p.a. and matures in July 2020. The loan was provided to LLC Prizma Alfa, entity owning trade centre "City Mall".

Oshchadbank

In October 2013, the Group concluded loan agreement with PJSC "State Savings Bank of Ukraine" (Oshchadbank) for irrevocable credit line with a limit of USD 30,000 thousand to finance construction of the trade centre "Prospekt" that is developed by the Group's subsidiary LLC Comfort Market Luks. Credit line bears 11.5% interest rate p.a. and matures in September 2020. As at 31 December 2013, the undrawn credit facilities from Oshchadbank amount to USD 20,000 thousand.

Ukrsibbank

In July 2013, LLC Prizma Alfa, the company that operates "City Mall' trade centre, repaid the outstanding balance of loans due to Ukrsibbank of USD 6,144 thousand using the funds received from PJSC Raiffeisen Bank Aval according to loan agreement concluded in June 2013.

EBRD

In July 2013, PrJSC UkrPanGroup, the company that operates "Sun Gallery" trade centre, repaid principal amount of loan payable to EBRD in the amount of USD 5,000 thousand.

Breach of loan covenants

In accordance with the terms of loan agreement with ELQ Investors II Limited, the Group is required to comply with certain covenants. As at 31 December 2012, the Group has not complied with the following debt covenants:

- the ratio of consolidated operating cash flows to net finance charges should not be less than 2.25;
- the ratio of total debt to EBITDA should not exceed 6.

The non-compliance with debt covenants was not remedied during the year ended 31 December 2013. In July 2013, the outstanding loan payable to ELQ Investors II Limited was fully repaid using the funds received from related parties under the newly concluded loan agreements (refer to note11).

14 Finance lease liability

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

	Future minimum lease payments 2013	**Interest 2013**	**Present value of minimum lease payments 2013**	Future minimum lease payments 2012	Interest 2012	Present value of minimum lease payments 2012
(in thousands of USD)						

Less than six months	**629**	**600**	**29**	239	238	1
Between six and twelve months	**815**	**755**	**60**	239	238	1
Between one and two years	**1,146**	**1,143**	**3**	478	477	1
Between two and five years	**4,245**	**4,223**	**22**	1,430	1,428	2
More than five years	**68,916**	**57,693**	**11,223**	20,033	16,784	3,249
	75,751	**64,414**	**11,337**	22,419	19,165	3,254

The imputed finance costs on the liability are based on the Group's incremental borrowing rate ranging from 13.0% to 17.2% (2012: from 15.3% to 16.0%).

On 17 December 2013, Odesa City Council approved principal terms of land lease agreements to be concluded with one of the Group's subsidiaries, LLC Vektor Capital (refer to note 4) and approved land allocation project and detailed zoning plan, in accordance with which the Group plans to develop the trade centre on land plots concerned. As a result, the Group assumed that the inception and commencement dates of lease occurred and recognised acquisition of the investment property through the finance lease for the amount of USD 5,144 thousand. On 20 March 2014 this land lease agreement was formally signed.

Future minimum lease payments as at 31 December 2013 and 2012 are based on management's assessment that is based on actual lease payments effective as at 31 December 2013 and 2012, respectively. 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.

15 Advances received

Advances from customers as at 31 December are as follows:

	2013	2012
(in thousands of USD)		
Non-current		
Advances from third parties	**2,900**	3,534
	2,900	3,534
Current		
Advances received under investment agreement (see note 8)	**14,636**	-
Advances from third parties	**5,906**	4,208
Advances from related parties	**86**	86
	20,628	4,294
	23,528	7,828

In September 2009 the Group received a prepayment from an anchor tenant for the period of ten years. As at 31 December 2013, the non-current portion of the prepayment amounts to USD 2,900 thousand and the current portion amounts to USD 615 thousand (as at 31 December 2012: USD 3,534 thousand and USD 615 thousand, respectively). Remaining advances from third parties are mainly represented by prepayments from tenants for two months of rental payments.

16 Other liabilities

16 **Other liabilities**

As at 31 December 2013, other liabilities are represented by deferred consideration of USD 20,151 thousand, including accrued interest of USD 151 thousand, that is payable in respect of acquisition of Wayfield Limited and its subsidiary LLC Budkhol (see note 4) and other long-term liabilities amounting to USD 222 thousand. Deferred consideration is presented in accordance with its contractual maturity.

17 **Revenue**

Revenue for the years ended 31 December is as follows:

	2013	2012
(in thousands of USD)		
Rental income from investment properties	**24,937**	15,981
Other sales revenue	**362**	440
	25,299	16,421

For the year ended 31 December 2013, 21% of the Group's rental income was earned from two tenants (11% and 10%, respectively) (2012: 27%, 16% and 11%, respectively).

	2013	2012
(in thousands of USD)		
Advertising	**807**	663
Repair, maintenance and building services	**442**	234
Security services	**427**	292
Communal public services	**398**	178
Land rent and land taxes	**174**	100
	2,248	1,467

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

No direct operating expenses arising from investment property that did not generate rental income during 2013 and 2012 occurred.

18 **Commitments and contingencies**

(a) **Pledged assets**

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

	2013	2012
(in thousands of USD)		
Investment property (note 5)	**193,111**	84,500
Restricted deposits (note 10)	**1,483**	-
Bank balances (note 10)	-	17

	194,594	84,517

As at 31 December 2013, 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;
- Property rights under the Investment Agreement between the PrJSC Grandinvest, PrJSC Livoberezhzhiainvest and LLC "Voyazh Krym".

As at 31 December 2012, the Group has also pledged the following:

- Future rights on income of Prizma Alfa LLC under lease agreements with Auchan Hypermarket Ukraine LLC;
- Investments in the following subsidiaries: PrJSC Grandinvest and PrJSC UkrPanGroup.

In addition to the above, as at 31 December 2012 the loan payable to ELQ Investors II is secured by the shares of O'Key Group held by Bytenem Co Limited, an entity under common control with Arricano.

(b) **Construction commitments**

The Group entered into contracts with a related party to construct two trade centres in Kyiv for USD 25,751 thousand as at 31 December 2013 (2012: USD 16,966 thousand under the contract to construct the second phase of South Gallery project in Simferopol).

(c) **Operating leases commitments**

The Group as lessor

The Group entered into lease agreements on its investment property portfolio that consists of four trade 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 are as follows:

	2013	2012
(in thousands of USD)		
Less than one year	**1,491**	1,676
Between one and five years	**1,470**	2,056
	2,961	3,732

(d) **Litigation**

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

As at 31 December 2013, the Group is involved in arbitration dispute with Stockman Interhold S.A. (Stockman), being the majority shareholder of Assofit, regarding invalidation of Call Option Agreement. 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 anew by the sole arbitrator. At the date that these consolidated financial statements are authorised for issuance the arbitration remains pending.

On 12 March 2012, Arricano filed the 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 the procedural grounds. Both applications (of the receiver and of Arricano) remain ongoing as at the date these consolidated financial statements are authorized for issuance.

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 and DUPD and recovery of the funds lent based on the loan agreement between Assofit and Filgate. At the date that these consolidated financial statements are authorised for issuance these litigation proceedings remain pending.

Current litigations with Assofit do not allow the Group to exercise significant influence over the investee. Adverse developments in these litigations may negatively influence the recoverable amount of the investment in Assofit. Management believes that pending litigations do not affect legal title to 49.97% of nominal voting and ownership rights in the investee.
On 7 March 2014, Arricano filed its Defence and Counterclaim against Stockman, Assofit and PB, on the basis of a series of violations of the fiduciary duties by Stockman and its nominees.

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

Current litigations with Assofit do not allow the Group to exercise significant influence over the investee. Adverse developments in these litigations may negatively influence the recoverable amount of the investment in Assofit. Management believes that pending litigations do not affect legal title to 49.97% of nominal voting and ownership rights in the investee.

Management is unaware of any other significant actual, pending or threatened claims against the Group save as set out in Note 20(b).

(e) Guarantees

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of related parties are 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.

As at 31 December 2013, the Company issued the irrevocable guarantee to UBS AG securing the repayment of the loan by a related party for the amount of USD 28,800 thousand and the interest accrued thereon and all losses incurred therewith. No provision for the related party's obligation under this guarantee is recognised in these consolidated financial statements since management believes that as at 31 December 2013 it is not probable that there will be an outflow of economic resources in relation to this guarantee.

On 17 March 2014, the amount of the irrecoverable guarantee provided to UBS AG was reduced to USD 15,300 thousand plus the interest accrued thereon and losses incurred therewith.

(f) 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 characterized 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.

19 Related party transactions

(a) Control relationships

The Group's significant shareholders are Retail Real Estate S.A., Vunderbuilt S.A., Dragon - Ukrainian

Properties and Development plc, Weather Empire Limited, Sigma Real Estate Limited, Rauno Teder and Jüri Põld. The Group's ultimate controlling party is Estonian individual Hillar Teder.

(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 2013 is represented by salary and bonuses of USD 675 thousand (2012: USD 351 thousand).

(c) **Transactions and balances with entities under common control**

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

	2013	2012
(in thousands of USD)		
Prepayments for investment property	**7,267**	-
Long-term loans receivable	**-**	1,473
Short-term loans receivable	**40,496**	43,766
Trade receivables	**10,761**	10,617
Other receivables	**9,654**	8,899
Provision for impairment of trade and other receivables from related parties	**(17,282)**	(16,689)
	50,896	48,066
Other long-term liabilities	**10,000**	-
Short-term loans and borrowings	**30,309**	565
Trade and other payables	**294**	543
Payables for construction works	**10,545**	15,744
Advances received	**86**	86
Other liabilities	**10,151**	-
	61,385	16,938

None of the balances are secured. The terms and conditions of significant transactions and balances with entities under common control are described in notes 7, 13, 15 and 16.

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

	2013	2012
(in thousands of USD)		
Interest expense	**(1,960)**	(278)
Interest income	**3,112**	4,216
Other operating expenses	**(86)**	-

During the year ended 31 December 2013, construction works performed by the entities under common control amounted to USD 20,872 thousand (2012: USD 5,517 thousand).

Prices for related party transactions are determined on an ongoing basis. The terms of related party transactions may differ from the market terms.

(d) **Guarantees issued by the related parties**

(d) Guarantees issued by the related parties

The Group's related parties issued guarantees to EBRD securing loans payable by Ukrainian subsidiaries of Arricano Real Estate PLC (PrJSC Grandinvest, PrJSC UkrPanGroup and PrJSC Livoberezhzhiainvest) to EBRD and OJSC "Bank "St.Petersburg". The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans as at 31 December 2013 of USD 23,441 thousand (2012: USD 33,514 thousand) and in relationship to OJSC "Bank "St.Petersburg" as at 31 December 2013 of USD 24,849 thousand (2012: nil).

20 Events subsequent to the reporting date

(a) Change in terms of loans and borrowings

On 31 January 2014, the Group signed amended loan agreement with EBRD, stipulating an increase in interest rate to 3m LIBOR+6.5% with an effect from 17 March 2014 and an increase in the amount of loan principal payable in 2014 by USD 1,711 thousand.

During 2014 and before the date that these consolidated financial statements are authorised for issuance, the Group repaid loans in the amounts of USD 3,322 thousand due to EBRD and USD 3,435 thousand due to a related party. In addition, portion of the abovementioned loan from the related party in the amount of USD 9,765 thousand has been refinanced. On 17 March 2014, the Group signed amended loan agreement with a related party, stipulating an increase in the interest rate to 10.55%.

(b) Litigation of PrJSC Dniprovska Prystan against PrJSC Livoberezhzhyainvest

On 5 March 2014, PrJSC Dniprovska Prystan acting through the asset manager (a bankruptcy receiver) as appointed by the court within its bankruptcy proceedings filed a claim against PrJSC Livoberezhzhiainvest to nullify the ownership right to the trade centre RayON and to return the trade centre to PrJSC Dniprovska Prystan. The Group management believes that claims of PrJSC Dnirpovska Prystan are not substantiated and the Group will be successful in defending legitimacy of the abovementioned ownership right in the court. As at 31 December 2013, the carrying value of the trade centre RayON amounts to USD 67,000 thousand.

(c) Changes in the Ukrainian business environment

Subsequent to the reporting date, the regional parliament in the Autonomous Republic of Crimea declared its independence from Ukraine and signed an agreement with the Russian Federation outlining the Republic of Crimea's intention to join the Russian Federation. The Ukrainian state authorities and authorities of other leading countries do not recognize these declarations and agreements as they believe they are in violation of the Ukrainian constitution and international law.

However, as a result of these events and the Crimean parliament no longer recognising the authority of the Ukrainian national government, the Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Autonomous Republic of Crimea.

As at 31 December 2013, the carrying value of the Group's investment property located in Simferopol, the administrative centre of the Autonomous Republic of Crimea, amounted to USD 40,000 thousand. Included in this investment property is the second phase of the South Gallery trade centre with a carrying value as at 31 December 2013 of USD 22,866 thousand, the title document for which is not yet obtained by the Group as at the date that these consolidated financial statements are authorised for issuance. The ultimate effect of these developments in the Autonomous 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.

(d) Changes in the Group structure

On 4 March 2014 the Group approved to establish LLC Budholinvest, a new subsidiary with incorporation in Ukraine. This subsidiary will be acting as the financing or investment company for one of the investment projects in Kyiv.