(a) Interim Results

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Arricano Real Estate PLC
12 September 2014

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

Interim Results for the 6 months ended 30 June 2014

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine. Arricano owns and operates four shopping centres, which together have 113,800 sqm of leasable space and has a major interest in Sky Mall, a 68,000 sqm shopping centre, and has a further four sites under development.

Highlights

- Generated recurring revenues of USD 11.4 million (6m 2013: USD 12.1 million).

- Profit before tax (including benefits from revaluation of the portfolio) was USD 15.2 million (6 months 2013: loss of USD 3.3 million).

- Profit before tax (excluding revaluation) was USD 5.4 million, (6 months 2013: USD 1.6 million).

- As at 30 June 2014, total fair valuation of the Company's portfolio was USD 247.1 million (31 December 2013: USD 287.8 million), which includes significant negative impact from FX movements.

- Occupancy rates for 2014 H1 were at the level of 97 per cent, excluding Phase 2 of South Gallery shopping centre in Crimea, the occupancy rate of which was at the level of 70 per cent. (2013: 98.3 per cent.)

- As at 30 June 2014, 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: "Given the political changes that have taken place and continue to unfold in Ukraine, these results show a reassuring stability. Visitor numbers across our shopping centres have remained stable or increased slightly during the period and we have continued to collect rents from our retail tenants and progressed our new developments with Prospect in Kyiv due to open as planned later this month. We believe the business is well positioned to operate through the current environment and has the potential to be extremely well positioned for the longer term."

For further information please contact:

Arricano Real Estate plc Tel: +380 44 569 6708
Mykhailo Merkulov/Oleg Pryimak

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

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

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

Chairman's Statement

I am pleased to be able to provide Arricano's half year results for the six months to 30th June 2014. Trading during the period has been resilient given the highly disrupted environment the Company has operated in.

The Company has worked closely with everyone connected to the Group to help minimise the impact of political and economic changes in the region. Currently, the military activity is taking place far away from any of our shopping and entertainment centres and even our most affected shopping centre in Crimea is operating close to normal capacity, albeit under an uncertain regulatory environment and logistical difficulties.

It is difficult to make any forward looking statements given the current volatility of the geopolitical situation. However, we have recorded more visitors to our shopping centres over the period under review than the comparable period last year and we believe that the situation will be resolved and, when this happens, Arricano will be well positioned to take advantage of opportunities as these arise.

Our commercial objective remains 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. We have continued to progress our projects on a conservative basis. Demand from retailers for space in new projects has been satisfactory in part as a result of other developers halting or slowing development. Prospect shopping centre, a 30,400 gross leasable area sqm development in Kyiv is due to open on schedule in September 2014 and has benefited from being one of the few projects continuing to move forward.

Results

From a trading perspective, revenues during the first half of the year were slightly lower than the equivalent period last year reflecting the tougher market conditions together with the management decision to share some of the risk on currency fluctuations with retailers by fixing the foreign exchange rate from March 2014 and over the course of 2014 gradually leveling the prices together giving retailers more time to adapt. All rents are USD linked and in the period the Hryvnia has decreased in value against the USD by over 20%. While our retail customers have been affected by the market environment, particularly those selling foreign goods and therefore being more exposed to currency movements, in the period under review only 14 chain tenants out of total tenants of around 440 have vacated (excluding the Crimea shopping centre). Occupancy levels remain at 97% excluding Phase 2 of South Gallery shopping centre in Crimea, the occupancy rate of which was at the level of 70 per cent, which is very close to the 98.3% occupancy level reported at the last calendar year end. It is our belief that we have been able to maintain our occupancy levels through this difficult time with the policy of sharing the impact of the currency fluctuations, as explained above.

Profit before tax was USD 15.2 million. Profit from operating activity for the reporting period, excluding the revaluation effect, was USD 5.4 million, compared to USD 1.6 million for 6 months 2013.

The current political and economic situation in Ukraine led to the significant devaluation of Hryvnia. This had an impact on the accounting figures at entities with different functional currencies and has resulted in considerable foreign exchange translation losses amounting to USD 53.8 million. These losses are recognized within other comprehensive income. The foreign exchange losses recognized through profit and loss account amounted to USD 28.6

million. These movements on exchange rates have a negative impact of USD 559k on the Company's cash and cash equivalents for the six months ended 30 June 2014.

The Company's portfolio of assets was externally and independently valued as at 30 June 2014 by Expandia LLC, part of the CBRE Affiliate Network. The portfolio was valued at USD 247.1 million and the fair value of investment property included within the assets held for sale was USD 7.8 million. This compares to the fair value of investment property of USD 287.8 million as at 31 December 2013.

The movement in the value of the portfolio of investment property in the last six months reflects the change in valuation approach to Prospect shopping centre, following reclassification from property under construction to investment property under operation and allowance for the increased FX rate that has influenced the income stream from the assets. The company has applied fair value adjustments, that have been independently reviewed, resulting in a revaluation gain of USD 44.7 million and a foreign exchange loss of USD 90.4 million. This foreign exchange loss is included in other comprehensive income.

A value of USD 20.7 million is attributed to the Company's 49.97% interest in the holding company of Sky Mall, compared to a fair value of USD 179.8 million for 100% of Sky Mall as at 30 June 2014. Arricano does not exercise significant influence over the company which holds the Sky Mall shopping centre and does not have access to information to measure the fair value of its investment reliably and therefore, the value of investment is recorded at cost.

Bank debt as at 30 June 2014 was USD 66.4 million, the majority of which is secured on individual assets, with interest rates in a range of 6.73 per cent. - 11.5 per cent. and weighted average rate of borrowings at a project level of 9.63 per cent. Loans mature between 2018-2020 and the Company's loan to value ratio is 25 per cent. The cash and cash equivalents of the Group as at 30 June 2014 amounted to USD 1.6 million.

All loans are denominated in US dollars and all rents are linked to US dollars. As the Company pays a portion of its operating costs in the Hryvnia, 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 Board and Management

In August 2014, the Company was pleased to announce the appointment of Mykhailo Merkulov as Chief Executive Officer of the Company, a non-Board appointment. Mykhailo commenced working for Arricano on 8 September 2014 and Yarema Kovaliv, who has been the Acting Chief Executive Officer, has taken up a new role of Executive Advisor to the Board.

Operating review

Arricano has 113,800 sqm of completed assets spread across four shopping centres across which the average occupancy levels are at 97 per cent, excluding Phase 2 of South Gallery shopping centre in Crimea, the occupancy rate of which was at the level of 70 per cent. 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, one of the largest shopping centres in Kyiv with 68,000 sqm of gross leasable area.

The Prospect shopping centre and entertainment complex 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 accessibility for vehicles and public transport links. It will open on 25th of September 2014 with Auchan, the international hypermarket chain, as co-investor and owner of the hypermarket block and 30,400 sqm of gross leasable space of which 78% has been pre-let. The Company is encouraged by the high level of pre let space resulting from the fact that this is the only new professional retail scheme opening in Kyiv in 2014.

As previously notified, the Company's attempt to buy out the majority interest in the Sky Mall centre has been delayed by legal and arbitration proceedings. The market value of the shopping centre at 30 June 2014 was USD 179.8 million and the book value of the Company's interest in the entity holding the property at that date was USD 20.7 million.

In August 2014, the London Court of International Arbitration tribunal made an award declaring that Arricano validly exercised the call option in 2010 whereby it sought to acquire a shareholding of 50.03 per cent. of the holding company of the Sky Mall shopping centre in Kyiv (the Company owned and continues to own the other 49.97 per cent.). The exercise price of the option is USD 51.4 million. The Company intends to proceed as soon as practicable with the acquisition of this interest.

Sky Mall is one of the largest shopping centres in Kyiv, built by 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 Auchan, Comfy and stores of the Inditex Group.

The Rozumovska development property is located in the Malynovskyi administrative district of Odesa. The target gross leasable assets is approximately 38,000 sqm, including hypermarkets, shops and shopping galleries, a leisure and entertainment area, a food court, restaurants and a service area. The completion of this development is now targeted for Q3 2017.

Outlook

The Board believes that Arricano is well positioned to take advantage of opportunities in the markets in which it operates once the geopolitical situation in the region has stabilised; it has relatively low leveraged properties, a cash generative portfolio of completed shopping centres and a strong pipeline of further development sites. Despite the political and economic uncertainties, the Company is continuing to progress its day to day business as well as pursuing its plans to grow the business, as evidenced by the imminent opening of Prospect shopping centre in Kyiv.

Current events are, and will continue to, have an impact on our business although to date we have managed the situation and, providing there is no significant escalation in the regional conflict, we believe we can continue to do so.

The Board strongly believes that when our market returns to normal conditions, Arricano will be better positioned than its peer group having continued to invest in the business. Our view of Ukraine as being severely structurally undersupplied for shopping centres remains unchanged.

Rupert Cottrell

Chairman

(in thousands of USD)	*Note*	**30 June 2014 (unaudited)**	31 December 2013
Assets			
Non-current assets			
Investment property	*4*	**247,059**	287,799
Available-for-sale financial assets	*5*	**20,727**	20,727
Deferred tax asset		**91**	1,520
Long-term loans receivable	*7*	**1,540**	1,519
Long-term VAT recoverable		**5,883**	10,882
Property and equipment		**373**	537
Intangible assets		**31**	64
Restricted deposits	*10*	**958**	820
Total non-current assets		**276,662**	323,868
Current assets			
Inventories		**73**	4
Trade and other receivables	*9*	**3,106**	4,324
Loans receivable	*7*	**48,562**	48,469
Prepayments made and other assets	*6*	**14,386**	10,116
VAT recoverable		**4,915**	4,612
Assets classified as held for sale	*8*	**12,257**	5,833
Restricted deposits	*10*	**1,648**	663
Cash and cash equivalents	*10*	**1,614**	11,840
Total current assets		**86,561**	85,861
Total assets		**363,223**	409,729

The consolidated condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

(in thousands of USD)	*Note*	**30 June 2014 (unaudited)**	31 December 2013
Equity and Liabilities			
Equity	*11*		
Share capital		**67**	67
Share premium		**183,727**	183,727
Additional paid-in capital		**59,713**	59,713
Retained earnings		**59,532**	50,509
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(54,274)**	(512)
Total equity		**186,782**	231,521
Non-current liabilities			
Long-term loans and borrowings	*12*	**53,855**	62,391
Advances received	*16*	**1,753**	2,900
Finance lease liability	*13*	**9,357**	11,248
Other long-term liabilities	*14*	**148**	10,222
Deferred tax liability		**1,809**	5,443
Total non-current liabilities		**66,922**	92,204
Current liabilities			
Short-term loans and borrowings	*12*	**41,853**	40,623
Trade and other payables	*15*	**24,678**	13,745
Tax payables		**210**	272
Advances received	*16*	**21,635**	20,628
Current portion of finance lease liability	*13*	**43**	89
Other liabilities	*14*	**20,147**	10,151
Liabilities classified as held for sale		**953**	496
Total current liabilities		**109,519**	86,004
Total liabilities		**176,441**	178,208
Total equity and liabilities		**363,223**	409,729

These consolidated interim condensed financial statements were approved by the Board of Directors on 10 September 2014 and were signed on its behalf by:

Director　　　　*Director*

The consolidated condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

(in thousands of USD, except earnings per share)	*Note*	**Six months ended 30 June 2014 (unaudited)**	Six months ended 30 June 2013 (unaudited)
Revenue	*17*	**11,472**	12,151
Other income		**153**	636
Gain (loss) on revaluation of investment property	*4,8*	**44,670**	(1,689)
Goods, raw materials and services used	*18*	**(355)**	(450)
Operating expenses	*19*	**(4,014)**	(8,930)
Employee costs		**(1,788)**	(1,677)
Depreciation and amortisation		**(88)**	(103)
Profit (loss) from operating activities		**50,050**	(62)
Finance income	*20*	**770**	2,467
Finance costs	*20*	**(35,611)**	(5,762)
Profit (loss) before income tax		**15,209**	(3,357)
Income tax expense	*21*	**(6,186)**	(157)
Net profit (loss) for the period		**9,023**	(3,514)
Items that will be reclassified to profit or loss:			
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect		**(83,295)**	-
Foreign currency translation differences		**29,533**	-
Total items that will be reclassified to profit or loss		**(53,762)**	-
Other comprehensive loss		**(53,762)**	-
Total comprehensive loss for the period		**(44,739)**	(3,514)
Weighted average number of shares (in shares)	*11*	**103,270,637**	106,000,000
Basic and diluted earnings (loss) per share, USD		**0.09**	(0.03)

The consolidated condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

	Note	**Six months ended 30 June 2014 (unaudited)**	Six months ended 30 June 2013 (unaudited)
(in thousands of USD)			
Cash flows from operating activities			
Profit (loss) before income tax		**15,209**	(3,357)
Adjustments for:			
Finance income	*20*	**(770)**	(2,467)
Finance costs, excluding foreign exchange loss	*20*	**7,047**	5,762
(Gain) loss on revaluation of investment property	*4,8*	**(44,670)**	1,689
Depreciation and amortisation		**88**	103
Unrealised foreign exchange loss		**28,870**	-
Write-off of inventories	*19*	**-**	104
Allowance for bad debt impairment	*19*	**452**	230
Operating cash flows before changes in working capital		**6,226**	2,064
Change in inventories		**(71)**	(17)
Change in trade and other receivables		**(405)**	(235)
Change in prepayments made and other assets		**76**	(1)
Change in trade and other payables		**(1,053)**	939
Change in advances received		**(388)**	(6)
Change in other liabilities		**28**	10
Change in tax payables		**30**	55
Change in VAT recoverable		**2,572**	875
Interest paid		**(7,474)**	(1,724)
Cash flows (used in) from operating activities		**(459)**	1,960
Cash flows from investing activities			
Acquisition of investment property, excluding capitalized borrowing costs, and settlements of payables due to constructors		**(419)**	(17,273)
Acquisition of property and equipment		**(89)**	(140)
Prepayments made and other assets		**(8,434)**	-
Advances received		**8,505**	-
Loans granted		**(70)**	-
Loans repaid		**66**	-
Change in VAT recoverable		**(237)**	(1,571)
Placement of restricted deposit		**(1,241)**	(664)
Interest received		**56**	72
Cash flows used in investing activities		**(1,863)**	(19,576)

The consolidated condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)
(in thousands of USD)		
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	**13,156**	24,897
Loans received from related parties	**-**	41
Loans repaid to related parties	**-**	(156)
Repayment of borrowings	**(19,920)**	(3,951)
Finance lease payments	**(581)**	(334)
Withdrawal of other reserves	**-**	(3)
Cash flows (used in) from financing activities	**(7,345)**	20,494
Net (decrease) increase in cash and cash equivalents	**(9,667)**	2,878
Cash and cash equivalents at 1 January	**11,840**	7,565
Effect of movements in exchange rates on cash and cash equivalents	**(559)**	-
Cash and cash equivalents at 30 June	**1,614**	10,443

Non-cash movements

During the six months ended 30 June 2014, acquisition of investment property of USD 2,061 thousand was financed through finance leases (2013: nil).

The consolidated condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

	Attributable to equity holders of the parent						
(In thousands of USD)	**Share capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2013	54	159,981	59,713	47,312	(131,980)	(512)	134,568
Total comprehensive loss for the period							
Net loss for the period and total other comprehensive loss (unaudited)	-	-	-	(3,514)	-	-	(3,514)
Transactions with owners, recognized directly in equity							
Forfeiture of shares	(13)	(69,987)	-	-	70,000	-	-
Other movements	-	-	-	-	(3)	-	(3)
Total transactions with owners	(13)	(69,987)	-	-	69,997	-	(3)
Balances at 30 June 2013 (unaudited)	41	89,994	59,713	43,798	(61,983)	(512)	131,051

The consolidated condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

	Attributable to equity holders of the parent						
(In thousands of USD)	**Share capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2014	**67**	**183,727**	**59,713**	**50,509**	**(61,983)**	**(512)**	**231,521**
Total comprehensive income (loss) for the period							
Net profit for the period (unaudited)	-	-	-	**9,023**	-	-	**9,023**
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)	-	-	-	-	-	**(83,295)**	**(83,295)**
Foreign currency translation differences (unaudited)	-	-	-	-	-	**29,533**	**29,533**
Total other comprehensive loss (unaudited)	-	-	-	-	-	**(53,762)**	**(53,762)**
Total comprehensive income (loss) for the period (unaudited)	-	-	-	**9,023**	-	**(53,762)**	**(44,739)**
Balances at 30 June 2014 (unaudited)	**67**	**183,727**	**59,713**	**59,532**	**(61,983)**	**(54,274)**	**186,782**

The consolidated condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 48.

2 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 listed on Alternative Investment Market of 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 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 30 June 2014, the Group operates four shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 113,800 square meters and is in the process of development of new investment projects in Kyiv and Odesa. Also, during the six months ended 30 June 2014, the Group has finalised the construction of a new shopping centre in Kyiv with a total leasable area of over 30,250 square meters. This shopping centre is to start its operations in September 2014.

Consolidated entities are as follows:

Name	**Country of incorporation**	**Cost**		**% of ownership**	
		30 June 2014 (unaudited)	31 December 2013	**30 June 2014 (unaudited)**	31 December 2013
(in thousands of USD, except for % of ownership)					
Praxifin Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
U.A. Terra Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Museo Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
Sunloop Co Limited	Cyprus	**3**	3	**100.00%**	100.00%
Lacecap Limited	Isle of Man	**3**	3	**100.00%**	100.00%
Beta Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Voyazh-Krym LLC	Ukraine	**363**	363	**100.00%**	100.00%
Livoberezhzhiainvest PrJSC	Ukraine	**69**	69	**100.00%**	100.00%
Grandinvest PrJSC	Ukraine	**69**	69	**100.00%**	100.00%
Arricano Property Management LLC	Ukraine	**5**	5	**100.00%**	100.00%
UkrPanGroup PrJSC	Ukraine	**59**	59	**100.00%**	100.00%
Prizma Alfa LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Development LLC	Ukraine	**9**	9	**100.00%**	100.00%
Prizma Development LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Real Estate LLC	Ukraine	**-**	-	**100.00%**	100.00%
Twible Holdings Limited	Cyprus	**-**	-	**100.00%**	100.00%
Gelida Holding Limited	Cyprus	**-**	-	**100.00%**	100.00%
Sapete Holding Limited	Cyprus	**-**	-	**100.00%**	100.00%
Wayfield Limited	Cyprus	**-**	-	**100.00%**	100.00%
Comfort Market Luks LLC	Ukraine	**40,666**	40,666	**100.00%**	100.00%
Mezokred Holding LLC	Ukraine	**8,109**	8,109	**100.00%**	100.00%
Vektor Capital LLC	Ukraine	**11,441**	11,441	**100.00%**	100.00%
Budkhol LLC	Ukraine	**31,300**	31,300	**100.00%**	100.00%
Budkholinvest LLC	Ukraine	**-**	-	**100.00%**	-

On 12 September 2013, the Parent Company acquired Twible Holdings Limited and its subsidiary Comfort Market Luks LLC, Gelida Holding Limited and its subsidiary Mezokred Holding LLC, Sapete Holding Limited and its subsidiary Vektor Capital LLC, Wayfield Limited and its subsidiary Budkhol LLC from entities under common control of the Company's ultimate controlling party. The acquired subsidiaries hold a lease or priority lease rights for various land plots in Kyiv and Odesa and investment property under development. The Group plans to develop or finalise development of investment properties on the land plots acquired. During the six months ended 30 June 2014, Twible Holdings Limited and its subsidiary Comfort Market Luks LLC finalised the construction of the shopping centre "Prospekt" in Kyiv (refer to note 4(a)).

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. As at 12 September 2013, the relative fair value of the assets acquired and liabilities assumed was USD 91,516 thousand, the fair value of the shares transferred was USD 66,056 thousand and the Group has agreed to pay a deferred consideration related to acquisition of the shares of Wayfield Limited and its subsidiary Budkhol LLC via a cash payment of USD 20,000 thousands in two tranches. Accordingly, the fair value of the contributions done by the shareholders was USD 5,460 thousand. As at 31 December 2013, the first tranche of deferred consideration amounting to USD 10,000 thousand was to be paid before 30 April 2014, while the payment of the second tranche was to be paid not later than 30 April 2015. The Group is liable to pay quarterly interest on any deferred consideration outstanding at the rate of 9.75% per annum. In May 2014, the Group signed an amendment to the share exchange agreement in order to postpone the payment of USD 10,000 thousand from 30 April 2014 to 30 April 2015 (refer to note 14).

The fair value of the shares transferred in the above transaction was determined by 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. The 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.

On 6 March 2014, the Group established Budkholinvest LLC, a new subsidiary of Wayfield Limited with incorporation in Ukraine. This subsidiary will be acting as the financing or investment company for one of the investment projects in Kyiv. As at 30 June 2014, the share capital of Budkholinvest LLC amounting to USD 103 was unpaid.

(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.

In March 2014, 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. Effective from 1 May 2014 the national currency of the Autonomous Republic of Crimea is Russian Rouble. The Ukrainian state authorities and authorities of other leading countries do not recognise 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 30 June 2014, the carrying value of the Group's investment property located in Simferopol, the administrative centre of the Autonomous Republic of Crimea, amounted to USD 32,300 thousand. 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.

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 interim condensed financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Cyprus business environment

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

Following the positive outcome of the first and second quarterly reviews of Cyprus's 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 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. On the basis of the evaluation performed, the Group's management has concluded that no provisions or impairment charges are necessary.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

3 Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2013. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The results for the six-month period ended 30 June 2014 are not necessarily indicative of the results expected for the full year.

(b) Judgments and estimates

Preparing the consolidated interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

In preparing these consolidated interim condensed financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

(c) Going concern

The Group incurred negative cash flows from operating activities amounting to USD 459 thousand for the six months ended 30 June 2014 (unaudited) and as at 30 June 2014, the Group's current liabilities exceed current assets by USD 22,958 thousand (unaudited). Also, management exercises significant judgment in presentation of the loans receivable from a related party of USD 39,160 thousand with a contractual maturity of 31 December 2014 and a loan receivable from a third party of USD 8,085 thousand with a contractual maturity of 31 December 2013 (refer to note 7).

At the same time, the Group has positive equity of USD 186,782 thousand (unaudited) as at 30 June 2014 (31 December 2013: 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 six months ended 30 June 2014, the Group has finalised the construction of the new shopping centre "Prospekt" located in Kyiv which is planned to start its operations in September 2014. In accordance with the budget for 2014, quarterly revenue from this shopping centre is estimated at USD 1,027 thousand. Management expects positive cash-flows from operations of shopping centre "Prospekt" in 2014;

- In July 2014, the Group signed the amended loan agreement with a related party to obtain additional financing in the amount of USD 3,000 thousand. The maturity date of this tranche and the interest rate is the same as per the original Loan Agreement (refer to note 25);

- As at 30 June 2014 and 31 December 2013, the undrawn credit facilities from PJSC "State Savings Bank of Ukraine" (Oshchadbank) amount to USD 20,000 thousand. In addition, management believes that the Group will be able to obtain new loans from banks should this be required for operational and other needs of the Group.

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.

These consolidated interim condensed 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.

(d) Functional and presentation currency

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

For the benefit of principal users, management chose to present the consolidated interim condensed financial statements in US dollars (USD), rounded to the nearest thousand.

In translating the financial statements into USD the Company 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 and for capital transactions.

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

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

Currency	**30 June 2014**	31 December 2013
UAH	**11.823**	7.993
RUB	**33.631**	32.723*

Average USD exchange rates for the six months ended 30 June are as follows:

Currency	**2014**	2013
UAH	**10.176**	7.993
RUB	**34.652**	31.049*

* no balances and transactions were translated from RUB to USD as at 31 December 2013 and for the six months ended 30 June 2013.

As at the date that these consolidated interim condensed financial statements are authorised for issue, 10 September 2014, the exchange rate is UAH 12.926 to USD 1.00 and RUB 37.026 to USD 1.00.

(e) Measurement of fair values

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

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

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

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

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

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

- Note 4 (b) – investment property;
- Note 22 (f) – fair values.

(f) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Management believes that during the six months ended 30 June 2014 and year ended 31 December 2013, the Group operated in and was managed as one operating segment, being property investment, with all investment properties located in Ukraine.

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

4 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013.

(a) New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective for the six months period ended 30 June 2014, and have not been applied in preparing these consolidated interim condensed financial statements. Management plans to adopt these pronouncements when they become effective, and has not yet analysed the likely impact of these new standards on its consolidated financial statements.

5 Investment property

(a) Movements in investment property

Movements in investment properties for the six months ended 30 June 2014 are as follows:

(in thousands of USD)	Land held on freehold	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Total
At 1 January 2014	**9,000**	**77,469**	**162,101**	**7,504**	**31,725**	**287,799**
Additions (unaudited)	**-**	**2,061**	**-**	**313**	**13,443**	**15,817**
Transfers (unaudited)*	**-**	**-**	**31,609**	**(5,182)**	**(26,427)**	**-**
Fair value gain on revaluation (unaudited)	**1,406**	**9,891**	**31,443**	**-**	**-**	**42,740**
Transfer to assets held for sale (unaudited)	**-**	**(7,945)**	**-**	**(63)**	**(855)**	**(8,863)**
Currency translation adjustment (unaudited)	**(2,506)**	**(22,642)**	**(52,552)**	**(2,432)**	**(10,302)**	**(90,434)**
At 30 June 2014 (unaudited)	**7,900**	**58,834**	**172,601**	**140**	**7,584**	**247,059**

Movements in investment properties for the six months ended 30 June 2013 are as follows:

(in thousands of USD)	Land held on freehold	Land held on leasehold	Buildings	Property under construction	Total
At 1 January 2013	10,500	9,069	136,198	5,449	161,216
Additions (unaudited)	-	-	87	9,286	9,373
Transfers (unaudited)	-	-	2	(2)	-
Fair value loss on revaluation (unaudited)	-	(300)	(1,389)	-	(1,689)
At 30 June 2013 (unaudited)	10,500	8,769	134,898	14,733	168,900

* As at 30 June 2014, the Group had not obtained the title documents for the shopping centre "Prospekt" in Kyiv with a total gross leasable area (GLA) of nearly 30,250 square meters and a carrying value of USD 42,400 thousand (unaudited). Management expects that the associated title documents for the above mentioned shopping centre will be obtained by the end of 2014 subject to completion of formal legal procedures.

During the six months ended 30 June 2014, acquisition of a land plot held on leasehold of USD 2,061 thousand was financed through finance lease (unaudited) (six months ended 30 June 2013: nil) (refer to note 13).

During the six months ended 30 June 2014, capitalised borrowing costs related to the construction of the new shopping centre "Prospekt" amounted to USD 476 thousand (unaudited) (six months ended 30 June 2013: nil), with a capitalisation rate of 11.5% (six months ended 30 June 2013: nil).

As at 30 June 2014, in connection with loans and borrowings, the Group has pledged as security investment property with a carrying value of USD 179,950 thousand (unaudited) (31 December 2013: USD 193,111 thousand) (refer to note 23(a)).

As at 30 June 2014, the Group is involved as a defendant in a lawsuit alleging invalidation of the Group's ownership rights for investment property with a carrying amount of USD 54,500 thousand (refer to note 23(d)(ii)).

(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 30 June 2014, which is represented by the shopping centres, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate Network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

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

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

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

As at 30 June 2014, the estimation of fair value is made using a net present value calculation based on certain assumptions, the most important of which are as follows:

- monthly rental rates, ranging from USD 3.00 to USD 47.00 per sq.m., which are based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 94.80% to 96.70%, and discount rates ranging from 16.00% to 17.50% 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 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.

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

As at 30 June 2014, fair value of investment property denominated in functional currency amounted to UAH 2,654,421 thousand (unaudited) and RUB 756,733 thousand (unaudited) (31 December 2013: UAH 2,300,375 thousand). The increase in fair value of investment property results from increased rental rates invoiced in Ukrainian hryvnia due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 30 June 2014 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 2,073 thousand (unaudited) (31 December 2013: USD 1,756 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 2,073 thousand (unaudited) (31 December 2013: USD 1,756 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 13,344 thousand (unaudited) (31 December 2013: USD 11,747 thousand) lower. If the discount rate is 1% less, then the fair value of investment properties would be USD 15,322 thousand (unaudited) (31 December 2013: USD 13,563 thousand) higher.
- If the occupancy rates are 1% higher than those used in the valuation models, the fair value of investment properties would be USD 2,065 thousand higher (unaudited) (31 December 2013: if the occupancy rates are 1% higher than those used in the valuation models, or are assumed to be 100% for the shopping centres in Zaporizhzhya and Kyiv, the fair value of investment properties would be USD 1,813 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 2,065 thousand (unaudited) (31 December 2013: USD 3,040 thousand) lower.

6 Available-for-sale financial assets

As at 30 June 2014 and 31 December 2013, 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 30 June 2014 and 31 December 2013, management assessed impairment indicators for the investment in Assofit. Given the deterioration in the Ukrainian business environment and devaluation of the Ukrainian hryvnia, management estimates that as at 30 June 2014 USD equivalent of the fair value of the major underlying asset of Assofit, shopping centre Skymall located in Kyiv, declined as compared to 31 December 2013. At the same time:

- Historically, Assofit generated strong positive cash flows;
- 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 30 June 2014 and 31 December 2013, a significant portion of liabilities of Assofit is represented by loans payable by the Ukrainian subsidiary of Assofit, Prizma Beta LLC, to Filgate Credit Enterprises Limited. In accordance with a final award issued by

the United Nations Commission on International Trade Law Tribunal on 9 June 2011, these loans together with accrued interest were to be assigned from Filgate Credit Enterprises Limited to the entity under joint control of Arricano and Stockman Interhold S.A., the majority shareholder of 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 to re-assign the abovementioned loans payable amounting to USD 120,000 thousand to Assofit. A subsequent appeal of Filgate Credit Enterprises Limited to the Supreme Court of Ukraine was not satisfied, thus leaving the abovementioned decision of the Highest Economic Court of Ukraine unchanged and in effect. These loans were reassigned to Torsem Co Limited, jointly owned by two BVI holding companies. As at the date that these consolidated interim condensed financial statements are authorised for issuance, Arricano was negotiating the acquisition of one of the abovementioned BVI holding companies. Arricano has a right to acquire one of the abovementioned BVI holding companies in accordance with final award issued by the United Nations Commission on International Trade Law Tribunal on 9 June 2011. Management believes this right proves that value of investment into Assofit significantly exceeds its carrying amount.

Accordingly, management believes that its investment in Assofit Holdings Limited is not impaired as at 30 June 2014.

7 Prepayments made and other assets

As at 30 June 2014, prepayments made and other assets represent prepayments made and other assets under an investment agreement and the associated contract of mandate for the amount of USD 13,675 thousand (unaudited) (31 December 2013: USD 8,894 thousand) in total (refer to note 8) and other prepaid miscellaneous expenses in the amount of USD 711 thousand (unaudited) (31 December 2013: USD 1,222 thousand).

8 Loans receivable

Loans receivable are as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Non-current assets		
Long-term loans receivable due from third parties	**1,340**	1,340
Accrued interest receivable due from third parties	**200**	179
	1,540	1,519
Current assets		
Short-term loans receivable due from related parties	**31,317**	31,917
Accrued interest receivable due from related parties	**9,160**	8,579
Short-term loans receivable due from third parties	**7,050**	7,050
Accrued interest receivable due from third parties	**1,035**	923
	48,562	48,469

As at 30 June 2014 and 31 December 2013, the long-term loans receivable including long-term accrued interest, due from a party which was a related party of the Group until February 2013 and subsequent to this date was disposed out of the control of the ultimate controlling party. As at 30 June 2014 and 31 December 2013, this long-term loan receivable has maturity date on 31 December 2018, is unsecured and bears a 3.2% interest rate that is fully capitalised and to be repaid together with the principal. As at 30 June 2014 and 31 December 2013, short-term loans receivable due from third parties are represented by a loan due from the abovementioned party which bears a 3.2% interest rate and is overdue. The management of the Group believes that it will be able to recover these loans receivable due from the third party due to the existence of sufficient assets of a 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 30 June 2014, the resulting loan receivable of USD 39,160 thousand (unaudited) (31 December 2013: USD 38,579 thousand), including accrued interest of USD 9,160 thousand (unaudited) (31 December 2013: 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 to be repaid together with the principal. 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 in accordance with initial contractual terms 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 major shareholder to repay this loan. Management believes that the Company's major 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 in short-term loans receivable as at 30 June 2014 is also a loan due from Dniprovska Prystan PrJSC, a subsidiary of Assofit Holdings Limited, amounting to USD 449 thousand (unaudited) (31 December 2013: USD 664 thousand) which is overdue. The Group has significant influence over the operating activities of Dniprovska Prystan PrJSC by being a significant creditor of this company, and thus it is considered to be a related party to the Group. In 2012 the court ruled to initiate bankruptcy proceedings against the mentioned related party and as at 30 June 2014 and as at 31 December 2013, the decision which would declare Dniprovska Prystan PrJSC insolvent has not yet been made. Management of the Group believes that it will be able to recover the loan due to the existence of sufficient assets of a short-term nature in Dniprovska Prystan PrJSC and, accordingly, the loan is not considered to be impaired as at 30 June 2014 and 31 December 2013.

As at 30 June 2014, the remaining short-term loans receivable granted to related parties of USD 868 thousand (unaudited) are due within one year, unsecured and interest-free (31 December 2013: USD 1,253 thousand).

9 Assets classified as held for sale

Movements in assets classified as held for sale for the six months ended 30 June 2014 are as follows:

(in thousands of USD)	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Other assets	Total
At 1 January 2014	**5,410**	**423**	**-**	**-**	**-**	**5,833**
Transfer from investment property (unaudited)	**7,945**	**-**	**63**	**855**	**-**	**8,863**
Transfer from VAT recoverable	**-**	**-**	**-**	**-**	**83**	**83**
Fair value gain on revaluation (unaudited)	**1,930**	**-**	**-**	**-**	**-**	**1,930**
Currency translation adjustment (unaudited)	**(4,205)**	**(136)**	**(8)**	**(99)**	**(4)**	**(4,452)**
At 30 June 2014 (unaudited)	**11,080**	**287**	**55**	**756**	**79**	**12,257**

On 3 April 2014, the Board of Directors of the Company committed to a plan to sell Gelida Holding Limited and its subsidiary Mezokred Holding LLC to the ultimate controlling party of the Group. Accordingly, the assets and liabilities of the abovementioned subsidiaries are presented as classified as held for sale as at 30 June 2014. Assets of these subsidiaries are represented by investment property, which is a land plot, including the finance lease asset, measured at fair value of USD 7,423 thousand, prepayments for investment property in the amount of USD 55 thousand, property under construction measured at cost of USD 756 thousand and other assets of USD 79 thousand as at 30 June 2014. As at 30 June 2014, the Group recognized a gain on revaluation of this land plot in the amount of USD 1,930 thousand. Based on representation obtained from the ultimate controlling party, management believes that subsidiaries Gelida Holding Limited and Mezokred Holding LLC will be sold without causing financial losses or equity reduction to Arricano. Accordingly, management believes that the assets of these subsidiaries, classified as held for sale, are not impaired as at 30 June 2014.

As at 30 June 2014, the Group is involved as a defendant in a lawsuit alleging invalidation of a resolution of the Kyiv City Council, according to which the latter has approved an allocation of a land plot for construction of the hypermarket to Mezokred Holding LLC and entitled Mezokred Holding LLC to lease this land plot for a period of 25 years (refer to note 23(d)(iii)).

Included in assets classified as held for sale as at 30 June 2014, is a land plot with a carrying amount of USD 3,657 thousand (unaudited) (31 December 2013: USD 5,410 thousand), which 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 an investment agreement concluded between the parties. Based on this investment agreement, Comfort Market Luks LLC acts as an intermediary in construction of a hypermarket with a total estimated area of 11,769 square meters and a parking lot with a total estimated area of 20,650 square meters.

As at 30 June 2014, Comfort Market Luks LLC has received advance payment from this third party amounting to USD 17,684 thousand (unaudited) (31 December 2013: USD 14,636 thousand) under the investment agreement (refer to note 16). Simultaneously, Comfort Market

Luks LLC has concluded a contract of mandate, according to which this third party will act as a developer in the construction of this hypermarket and parking lot. As at 30 June 2014, prepayment made to this third party and other assets under the contract of mandate amounted to USD 12,664 thousand (unaudited) (31 December 2013: USD 8,110 thousand) and prepayments made to other third parties and other assets under the abovementioned investment agreement amounted to USD 1,011 thousand (unaudited) (31 December 2013: USD 784 thousand) (refer to note 6).

10 Trade and other receivables

Trade and other receivables are as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Trade receivables from related parties	**7,276**	10,761
Other receivables from related parties	**9,188**	9,654
Allowance for impairment	**(14,249)**	(17,282)
	2,215	3,133
Trade receivables from third parties	**1,010**	1,426
Other receivables from third parties	**46**	53
Allowance for impairment	**(165)**	(288)
	891	1,191
	3,106	4,324

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

As at 30 June 2014, other receivables from related parties amounting to USD 8,826 thousand (31 December 2013: USD 9,260 thousand) comprise receivables due from Dniprovska Prystan PrJSC, which are overdue. In 2012 the court ruled to initiate bankruptcy proceedings against the mentioned related party and, as at 30 June 2014 the decision which would declare Dniprovska Prystan PrJSC insolvent has not yet been made. Management of the Group believes that it will be able to recover a portion of the balance amounting to USD 1,853 thousand (31 December 2013: USD 2,739 thousand) due to existence of sufficient assets of short-term nature and, accordingly, this portion of receivable is not considered to be impaired. As at 30 June 2014 management has recognised an allowance for impairment for the remaining portion of receivables amounting to USD 6,973 thousand (31 December 2013: USD 6,521 thousand) due to significant uncertainty in settlement of these balances by Dniprovska Prystan PrJSC.

11 Cash and cash equivalents

Cash and cash equivalents are as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Bank balances	**1,414**	2,892
Call deposits	**-**	8,798
Cash in transit	**200**	150
	1,614	11,840

Excluded from cash and cash equivalents as at 30 June 2014 are restricted deposits in amounts of USD 1,648 thousand and USD 958 thousand with maturity in 2014 and 2020, respectively (unaudited) (31 December 2013: USD 663 thousand and USD 820 thousand, respectively). These deposits serve as pledge under three different loan facilities (refer note 23(a)).

As at 30 June 2014, cash and cash equivalents placed with two bank institutions amounted to USD 1,036 thousand, or 64% of the total balance of cash and cash equivalents (31 December 2013: USD 11,476 thousand, or 97%). In accordance with Moody's rating, these banks are rated as A2 as at 30 June 2014 and 31 December 2013.

12 Share capital and Other Equity

Share capital is as follows:

	2014 Number of shares	**2014 US dollars**	**2014 EUR**	2013 Number of shares	2013 US dollars	2013 EUR
Issued and fully paid						
At 1 January and 30 June (unaudited)	**103,270,637**	**66,750**	**51,635**	64,620,000	41,067	32,310
Authorised						
At 1 January	**106,000,000**	**68,564**	**53,000**	85,026,309	53,856	42,513
Forfeiture of shares (unaudited)	**-**	**-**	**-**	(20,406,309)	(12,789)	(10,203)
At 30 June (unaudited)	**106,000,000**	**68,564**	**53,000**	64,620,000	41,067	32,310
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 six months ended 30 June 2014 and 30 June 2013 the Parent Company did not declare any dividends.

Initial public offering of the Company's shares

In 2012, the Company was contemplating an initial public offering of its shares (the "IPO") at the London AIM. The Company's authorised 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 a 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 the initial public offering (IPO) of the Company's shares at 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 the IPO, the Company placed 38,650,637 ordinary shares for the total amount of USD 93,759 thousand. 28,350,214 ordinary shares were transferred to entities under common control as consideration for acquired subsidiaries at a fair value of USD 66,056 thousand (see note 1(a)) 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 the IPO process of USD 1,757 thousand, amounted to USD 22,243 thousand.

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 were 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.

In July 2013, the Company entered into a 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. One loan amounting to USD 8,475 thousand was repaid on 20 September 2013. As at 31 December 2013, the loan amounting to USD 28,500 thousand was payable on demand by 17 December 2014 at the latest. Also, the Company issued an 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. During six months ended 30 June 2014, the Group signed an amended loan agreement with this related party, stipulating a decrease of the loan principal to USD 15,300 thousand and prolongation of the final repayment date until 17 August 2018, although the loan remains payable on demand in accordance with the contractual terms of the loan agreement (refer to note 12). Accordingly, the amount secured by the irrevocable guarantee issued to UBS AG was decreased to USD 15,300 thousand, plus interest accrued thereon and other specified costs related to the loan facility provided by UBS AG (refer to note 22 (c)(ii)).

Foreign currency translation differences

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

Other reserves

Other reserves represent the cumulative change in ownership interests in subsidiaries resulting from acquisitions and disposals of subsidiaries under common control, and the effect of forfeiture of shares.

Earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2014 was based on the profit for the period ended 30 June 2014 attributable to ordinary shareholders of USD 9,023 thousand and a weighted average number of ordinary shares outstanding of 103,270,637.

The calculation of basic earnings per share for the six-month period ended 30 June 2013 was based on the loss for the period ended 30 June 2013 attributable to ordinary shareholders of USD 3,514 thousand and a weighted average number of ordinary shares outstanding of 106,000,000. As described above, on 20 July 2013 the Shareholders of the Parent Company approved the increase of the Company's authorised share capital to EUR 53,000 divided into 106,000,000 ordinary shares of nominal value EUR 0.0005 each. Accordingly, the change in the quantity of the issued shares on 20 July 2013 was taken into account in the calculation of the weighted average number of shares for all periods presented in these consolidated interim condensed financial statements.

The Group has no potential dilutive ordinary shares.

13 Loans and borrowings

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

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Non-current		
Secured bank loans	**53,855**	62,391
	53,855	62,391
Current		
Secured bank loans (current portion of secured long-term bank loans)	**12,484**	10,277
Unsecured loans from related parties	**29,331**	30,309
Unsecured loans from third parties	**38**	37
	41,853	40,623
	95,708	103,014

The movement in loans and borrowings during the six months ended 30 June 2014 was as follows:

(in thousands of USD)	**Carrying value**
Balance at 1 January 2014	**103,014**
Receipts (unaudited)	
Loans from related parties	**13,156**
Total receipts (unaudited)	**13,156**
Repayments (unaudited)	
OJSC “Bank “St.Petersburg”	**(1,027)**
EBRD	**(4,572)**
Raiffeisen Bank Aval	**(821)**
Loans from related parties	**(13,500)**
Total repayments (unaudited)	**(19,920)**
Interest and restructuring fees	
Accrued (unaudited)	**5,938**
Repaid (unaudited)	**(6,364)**
Effect of foreign currency translation (unaudited)	**(116)**
Balance at 30 June 2014 (unaudited)	**95,708**

Terms and debt repayment schedule

As at 30 June 2014, the terms and debt repayment schedule of bank loans are as follows (unaudited):

(in thousands of USD)	**Currency**	**Nominal interest rate**	**Contractual year of maturity**	**Carrying value**
Secured bank loans				
Raiffeisen Bank Aval	**USD**	**10.75%**	**2020**	**13,465**
Oshchadbank	**USD**	**11.50%**	**2020**	**10,061**
EBRD	**USD**	**3M LIBOR + 6.50%**	**2018**	**18,874**
Bank "St. Petersburg"	**USD**	**10.50%**	**2020**	**23,939**
				66,339
Unsecured loans from related parties				
International Baltic Investments	**USD**	**10.55%**	**2018**	**15,464**
Bytenem Co Limited	**USD**	**12.00%**	**2015**	**13,392**
Loans from other related parties	**UAH**	**0.00%**	**2014**	**475**
				29,331
Unsecured loans from third parties				
Other	**USD**	**3.20%**	**2013**	**38**
				38
				95,708

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

(in thousands of USD)	**Currency**	**Nominal interest rate**	**Contractual year of maturity**	**Carrying value**
Secured bank loans				
Bank "St.Petersburg"	USD	10.50%	2020	24,849
EBRD	USD	3M LIBOR + 4.50%	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

LIBOR for USD is as follows:

	30 June 2014	31 December 2013
LIBOR USD 3M	**0.23%**	0.24%

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

EBRD

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

International Baltic Investments and Bytenem Co Limited

In May 2014, the Group signed a loan agreement with Bytenem Co Limited for a total amount of USD 13,051 thousand. The loan bears an annual interest rate of 12% and matures in March 2015. In July 2014, the Group signed an amended loan agreement with Bytenem Co Limited and the amount of the loan facility was increased up to USD 16,051 thousand (refer to note 25).

During the six months ended 30 June 2014, the Group repaid USD 13,500 thousand of loan principal to International Baltic Investments, using the funds of USD 10,043 thousand obtained from Bytenem Co Limited and own funds of USD 3,457 thousand. Accordingly, during the six months ended 30 June 2014, the Group signed an amended loan agreement with International Baltic Investments, stipulating an increase in the interest rate to 10.55% per annum, a prolongation of the final repayment date until 17 August 2018 and a decrease of the principal amount to USD 15,300 thousand (refer to note 11). Despite the fact that the final repayment date was prolonged, the loan remains payable on demand in accordance with the contractual terms of the loan agreement.

OJSC "Bank "St. Petersburg"

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

PJSC "Raiffeisen Bank Aval"

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

PJSC "State Savings Bank of Ukraine"

In October 2013, the Group concluded a loan agreement with "State Savings Bank of Ukraine" PJSC (Oshchadbank) for an irrevocable credit line with a limit of USD 30,000 thousand to finance construction of the shopping centre "Prospekt" that is developed by the Group's subsidiary Comfort Market Luks LLC. The credit line bears 11.5% interest rate per annum and matures in September 2020. As at 30 June 2014 and 31 December 2013, the undrawn credit facilities from Oshchadbank amount to USD 20,000 thousand.

14 Finance lease liability

Finance lease liabilities are payable as follows:

	30 June 2014			31 December 2013		
(in thousands of USD)	**Future minimum lease payments (unaudited)**	**Interest (unaudited)**	**Present value of minimum lease payments (unaudited)**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than six months	**689**	**665**	**40**	629	600	29
Between six and twelve months	**580**	**530**	**3**	815	755	60
Between one and two years	**942**	**939**	**32**	1,146	1,143	3
Between two and five years	**3,918**	**3,900**	**41**	4,245	4,223	22
More than five years	**61,356**	**52,051**	**9,284**	68,916	57,693	11,223
	67,485	**58,085**	**9,400**	75,751	64,414	11,337

The imputed finance costs on the liability as at 30 June 2014 and 31 December 2013 are based on the Group's incremental borrowing rate ranging from 13.0% to 17.2%.

During the six months ended 30 June 2014, the Group has finalised the construction of the new shopping centre "Prospekt" located in Kyiv, which led to an increase in future minimum lease payments due to modification of a lease pursuant to the increased value of the land leased by Comfort Market Luks LLC. Accordingly, the resulting change in finance lease liability amounting to USD 2,061 thousand was recognised as finance lease asset and presented within investment property.

Future minimum lease payments as at 30 June 2014 and 31 December 2013 are based on management's assessment that is based on actual lease payments effective as at 30 June 2014 and 31 December 2013, 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 has the ability and 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 Other liabilities

As at 30 June 2014, other liabilities are represented by deferred consideration of USD 20,147 thousand (unaudited) (31 December 2013: USD 20,151 thousand), including accrued interest of USD 147 thousand (unaudited) (31 December 2013: USD 151 thousand), that is payable in respect of the acquisition of Wayfield Limited and its subsidiary Budkhol LLC (refer to note 1(a)), and other long-term liabilities amounting to USD 148 thousand (unaudited) (31 December 2013: USD 222 thousand). In May 2014, the Group signed the amendment to the share exchange agreement in order to postpone the repayment of USD 10,000 thousand from 30 April 2014 to 30 April 2015. Deferred consideration is presented in accordance with its contractual maturity as at 30 June 2014 and 31 December 2013.

16 Trade and other payables

Trade and other payables are as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Payables for construction works	**21,737**	10,959
Trade and other payables to related parties	**338**	294
Trade and other payables to third parties	**2,603**	2,492
	24,678	13,745

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

17 Advances received

Advances received are as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Non-current		
Advances from third parties	**1,753**	2,900
	1,753	2,900
Current		
Advances received under investment agreement (refer to note 8)	**17,684**	14,636
Advances from third parties	**3,892**	5,906
Advances from related parties	**59**	86
	21,635	20,628
	23,388	23,528

In September 2009, the Group received a prepayment from an anchor tenant for the period of ten years. As at 30 June 2014, the non-current portion of this prepayment amounts to USD 1,753 thousand (unaudited) and the current portion amounts to USD 416 thousand (unaudited) (as at 31 December 2013: USD 2,900 thousand and USD 615 thousand, respectively). Remaining advances from customers are mainly represented by prepayments from tenants for two months of rental payments.

18 Revenue

Revenue for the six months ended 30 June is as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Rental income from investment properties	**11,057**	12,007
Other sales revenue	**415**	144
	11,472	12,151

For the six months ended 30 June 2014, 22% of the Group's rental income was earned from two tenants (13% and 9%, respectively) (2013: 11% and 10%, respectively).

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

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

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

Direct operating expenses arising from investment property that generated rental income during the six months ended 30 June are as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Advertising (note 19)	**376**	303
Security services (note 19)	**213**	192
Repair, maintenance and building services (note 18)	**164**	213
Communal public services (note 18)	**129**	173
Land rent and land taxes (note 19)	**25**	59
	907	940

No direct operating expenses arising from investment property that did not generate rental income during six months ended 30 June 2014 and 2013 had occurred.

19 Goods, raw materials and services used

Goods, raw materials and services used for the six months ended 30 June are as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Repair, maintenance and building services	**164**	213
Communal public services	**129**	173
Other costs	**62**	64
	355	450

20 Operating expenses

Operating expenses for the six months ended 30 June are as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Management, consulting and legal services	**1,991**	6,893
Allowance for bad debt impairment	**452**	230
Advertising	**376**	303
Security services	**213**	192
Office expenses and communication services	**186**	248
Write-off of inventories	**-**	104
Land rent and land taxes	**25**	59
Administrative expenses	**79**	29
Other	**692**	872
	4,014	8,930

21 Finance income and finance costs

Finance income and finance costs for the six months ended 30 June are as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Interest income	**714**	2,320
Other finance income	**56**	147
Finance income	**770**	2,467
Foreign exchange loss	**(28,564)**	-
Interest expense	**(5,462)**	(3,414)
Interest expense on deferred consideration (refer to note 14)	**(1,004)**	-
Other finance costs	**(581)**	(2,348)
Finance costs	**(35,611)**	(5,762)
Net finance costs	**(34,841)**	(3,295)

22 Income tax expense

(a) Income tax expense

Income taxes for the six months ended 30 June are as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Current tax expense	**-**	-
Deferred tax expense	**6,186**	157
Total income tax expense	**6,186**	157

As at 31 December 2013, based on the Ukrainian tax legislation enacted in December 2010 with amendments in December 2013, the corporate tax rate in Ukraine was 19% for 2013, 18% for 2014, 17% for 2015 and 16% from 2016 onwards. On 31 March 2014, several changes were introduced to the Ukrainian tax legislation, resulting in the corporate profit tax rate for 2014 and afterwards being fixed at 18%.

While computing the deferred tax liability that arises on the temporary differences between carrying amounts and tax values of assets and liabilities of Voyazh-Krym LLC, registered in the Autonomous republic of Crimea, as at 30 June 2014, management of the Group reflected the tax consequences that are applicable under the current legislation of Ukraine, rather than of the Russian Federation. In absence of the clear regulations, that will be applicable to the Autonomous Republic of Crimea after 1 January 2015, management expects that reversal of temporary differences will be done under the Laws of Ukraine.

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

(b) Reconciliation of effective tax rate

The difference between the total expected income tax expense for the six months ended 30 June computed by applying the Ukrainian statutory income tax rate to profit (loss) before tax and the reported tax expense is as follows:

(in thousands of USD)	**2014 (unaudited)**	**%**	2013 (unaudited)	%
Profit (loss) before tax	**15,209**	**100%**	(3,357)	100%
Income tax expense (benefit) at statutory rate	**2,738**	**18%**	(638)	19%
Effect of lower tax rates on taxable income in foreign jurisdictions	**(929)**	**(6%)**	(552)	16%
Non-deductible expenses	**657**	**4%**	1,372	(41%)
Tax exempt income	**-**	**-**	(69)	2%
Change in unrecognised deferred tax assets	**111**	**1%**	(291)	9%
Effect of change in the estimated timing of reversal of temporary differences	**773**	**5%**	52	(2)%
Foreign currency translation difference	**2,836**	**19%**	-	-
Effective income tax expense	**6,186**	**41%**	157	(5)%

In accordance with existing Ukrainian legislation tax losses can be carried forward and utilised indefinitely. As at 30 June 2014, management has not recognised deferred tax assets amounting to USD 8,917 thousand (31 December 2013: nil) in respect of tax losses carried forward attributable to tax deductible expenses recognised in other comprehensive income and deferred tax assets amounting to USD 111 thousand (31 December 2013: USD 340 thousand) in respect of tax losses carried forward attributable to tax deductible expenses recognised in profit or loss because of significant uncertainties regarding their realisation.

During the six months ended 30 June 2014, deferred tax benefit for the amount of USD 7,388 thousand was recognised in other comprehensive income (six months ended 30 June 2013: nil).

23 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

(b) Risk management framework

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

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

(c) Credit risk

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

(i) Trade and other receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently challenging economic circumstances. There is no significant concentration of receivables from a single customer. During the six months periods ended 30 June 2014 and 2013, 100% of revenue is attributable to sales transactions with customers in Ukraine and the Autonomous Republic of Crimea.

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

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

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

(ii) Guarantees

The Group believes 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 an 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. On 17 March 2014, the amount of the irrecoverable guarantee provided to UBS AG was reduced to USD 15,300 thousand plus interest accrued thereon and other specified costs related to loan facility provided by UBS AG. No provision for the related party's obligation under this guarantee is recognised in these consolidated interim condensed financial statements since management believes that as at 30 June 2014 and 31 December 2013 it is not probable that there will be an outflow of economic resources in relation to this guarantee.

(iii) Exposure to credit risk

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

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of VAT receivable and prepaid expenses amounting in total to USD 11,509 thousand as at 30 June 2014 (unaudited) (31 December 2013: USD 16,716 thousand).

(iv) Impairment losses

The ageing of trade and other receivables is as follows:

(in thousands of USD)	**30 June 2014 Gross (unaudited)**	**30 June 2014 Impairment (unaudited)**	31 December 2013 Gross	31 December 2013 Impairment
Not past due	**755**	**-**	1,561	-
Past due 0 - 30 days	**59**	**-**	2,739	-
Past due 31 - 60 days	**21**	**-**	17	-
Past due 61 - 90 days	**37**	**-**	7	-
Past due 91 - 360 days	**1,853**	**-**	288	(288)
More than one year	**14,795**	**(14,414)**	17,282	(17,282)
	17,520	**(14,414)**	21,894	(17,570)

The movement in allowance for impairment in respect of trade and other receivables during the six months ended 30 June is as follows:

(in thousands of USD)	**2014**	2013
Balance at 1 January	**(17,570)**	(16,740)
Impairment loss recognised (unaudited) (note 19)	**(452)**	(230)
Bad debts write-off/recovery (unaudited)	**-**	53
Foreign currency translation differences (unaudited)	**3,608**	-
Balance at 30 June (unaudited)	**(14,414)**	(16,917)

(d) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments as at 30 June 2014 (unaudited):

		Contractual cash flows					
(in thousands of USD)	**Carrying amount**	**Total**	**2 months or less**	**2 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Secured bank loans	**66,339**	**90,126**	**8,406**	**14,926**	**18,250**	**36,763**	**11,781**
Unsecured loans from third parties	**38**	**38**	**38**	**-**	**-**	**-**	**-**
Unsecured loans from related parties	**29,331**	**30,470**	**15,464**	**15,006**	**-**	**-**	**-**
Finance lease liability	**9,400**	**67,485**	**230**	**1,039**	**942**	**3,918**	**61,356**
Trade and other payables	**24,678**	**24,678**	**24,678**	**-**	**-**	**-**	**-**
Other liabilities	**20,295**	**21,772**	**326**	**21,298**	**148**	**-**	**-**
	150,081	**234,569**	**49,142**	**52,269**	**19,340**	**40,681**	**73,137**

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2013:

		Contractual cash flows					
(in thousands of USD)	Carrying amount	Total	2 months or less	2 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans	72,668	94,082	1,051	15,307	19,232	43,282	15,210
Unsecured loans from related parties	30,309	30,309	29,808	501	-	-	-
Unsecured loans from third parties	37	37	37	-	-	-	-
Finance lease liability	11,337	75,751	148	1,296	1,146	4,245	68,916
Trade and other payables	13,745	13,745	204	13,541	-	-	-
Other liabilities	20,373	21,939	-	11,346	10,593	-	-
	148,469	235,863	31,248	41,991	30,971	47,527	84,126

(e) Market risk

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

(i) Currency risk

Group entities located in Ukraine

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

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

Exposure to currency risk

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

	30 June 2014		31 December 2013		
	USD (unaudited)	**EUR (unaudited)**	USD	EUR	GBP
(in thousands of USD)					
Cash and cash equivalents	**14**	**-**	168	1	-
Restricted deposits	**575**	**-**	575	-	-
Secured bank loans	**(66,339)**	**-**	(72,668)	-	-
Trade and other payables	**(165)**	**(3,043)**	(1,631)	(741)	(302)
Net short position	**(65,915)**	**(3,043)**	(73,556)	(740)	(302)

Sensitivity analysis

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

(in thousands of USD)	**Profit or loss for six months ended 30 June 2014 (unaudited)**	**Equity as at 30 June 2014 (unaudited)**	Profit or loss for the year ended 31 December 2013	Equity as at 31 December 2013
USD	**(5,405)**	**(5,405)**	(5,958)	(5,958)
EUR	**(250)**	**(250)**	(60)	(60)
GBP	**-**	**-**	(24)	(24)

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

Intra-group borrowings

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

The exposure to foreign currency risk on these borrowings is USD 233,000 thousand and USD 221,160 thousand as at 30 June 2014 and 31 December 2013, respectively.

A 10 percent weakening of the Ukrainian hryvnia against the USD would have decreased other comprehensive income (loss) for the six months ended 30 June 2014 and equity as at 30 June 2014 by USD 19,106 thousand (other comprehensive income (loss) for the year ended 31 December 2013 and equity as at 31 December 2013 by USD 17,914 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

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

Group entities located in the Autonomous Republic of Crimea

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

Exposure to currency risk

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

	30 June 2014	31 December 2013
	UAH (unaudited)	UAH
(in thousands of USD)		
Trade and other payables	**(6,291)**	-
Net short position	**(6,291)**	-

Sensitivity analysis

A 10 percent weakening of the Russian Rouble against the Ukrainian hryvnias would have decreased net profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of USD)	**Profit or loss for six months ended 30 June 2014 (unaudited)**	**Equity as at 30 June 2014 (unaudited)**	Profit or loss for the year ended 31 December 2013	Equity as at 31 December 2013
UAH	**(516)**	**(516)**	-	-

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

(ii) Interest rate risk

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

Refer to notes 7, 12, 13 and 14 for information about maturity dates and effective interest rates of fixed rate and variable rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

Profile

The interest rate profile of interest-bearing financial instruments is as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Fixed rate instruments		
Loans receivable	**48,785**	48,071
Loans and borrowings	**(76,359)**	(79,072)
Other liabilities	**(20,147)**	(20,151)
Finance lease liability	**(9,400)**	(11,337)
	(57,121)	(62,489)
Variable rate instruments		
Loans and borrowings	**(18,874)**	(23,441)
	(18,874)	(23,441)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(in thousands of USD)	**Profit or loss for six months ended 30 June 2014 (unaudited)**	**Equity as at 30 June 2014 (unaudited)**	Profit or loss for the year ended 31 December 2013	Equity as at 31 December 2013
Loans and borrowings	**(155)**	**(155)**	(190)	(190)
	(155)	**(155)**	(190)	(190)

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

(f) Fair values

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

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

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

Management believes that for all the financial assets and liabilities the carrying value is estimated to approximate the fair value as at 30 June 2014 and 31 December 2013. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevail as at the reporting date. The estimated fair value is categorised within Level 2 of the fair value hierarchy.

(g) Capital management

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

24 Commitments and contingencies

(a) Pledged assets

In connection with loans and borrowings, the Group pledged the following assets:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Investment property (note 4 (a))	**179,950**	193,111
Restricted deposits (note 10)	**2,606**	1,483
	182,556	194,594

As at 30 June 2014 and 31 December 2013, 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: Grandinvest PrJSC, UkrPanGroup PrJSC, Livoberezhzhiainvest PrJSC.
- Property rights under the Investment agreement between the “Livoberezhzhianvest” PrJSC, “Grandinvest” PrJSC and “Voyazh Krym” LLC.

(b) Construction commitments

The Group entered into contracts with a related party to construct a shopping centre in Kyiv for USD 58,293 thousand as at 30 June 2014 (unaudited) (31 December 2013: USD 25,751 thousand under contracts to construct two shopping centres in Kyiv).

(c) Operating leases commitments

The Group as lessor

The Group entered into lease agreements on its investment property portfolio that consists of four operating shopping centres. These non-cancellable lease agreements have remaining terms from one to eight 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:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Less than one year	**2,507**	1,491
Between one and five years	**4,500**	1,470
More than five years	**1,756**	-
	8,763	2,961

(d) Litigation

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

(i) Legal case in respect of Assofit Holdings Limited

As at 30 June 2014 and 31 December 2013, the Group is involved in an arbitration dispute with Stockman Interhold S.A. (Stockman), who is the majority shareholder of Assofit Holdings Limited (Assofit), regarding invalidation of the Call Option Agreement dated 25 February 2010. In accordance with this Call Option Agreement, Arricano was granted the option to acquire the shareholding of Stockman being equal to 50.03 per cent in the share capital of Assofit during the period starting from 15 November 2010 up to 15 March 2011. In November 2010, the Company sought to exercise the option granted by the Call Option Agreement, however the buy-out was suspended by legal and arbitration proceedings that were initiated by Stockman in relation to the validity of the termination of the agreement relating to the call option under the Call Option Agreement. The case was considered by The London Court of International Arbitration (LCIA).

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

On 19 August 2014, the sole arbitrator of LCIA has made an award declaring that Arricano validly exercised the call option in 2010 whereby it sought to acquire a shareholding of 50.03% of Assofit. Management of the Group intends to proceed as soon as practicable with the acquisition of this interest.

On 12 March 2012, Arricano filed an application to the District Court of Larnaca, Cyprus to wind up 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 a certiorari application with the Supreme Court of Cyprus to suspend this interim order based on procedural grounds. Both applications (of the receiver and of Arricano) remain ongoing as at the date these consolidated interim condensed 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 (the Group's ultimate controlling party) and Dragon Ukrainian Properties and Development PLC (a shareholder of the Group) and recovery of the funds lent based on the loan agreement between Assofit and Filgate. On 7 March 2014, Arricano filed its Defence and Counterclaim against Stockman, Assofit and PB, on the basis of a series of violations of the fiduciary duties by Stockman and its nominees At the date that these interim condensed consolidated financial statements are authorised for issuance these litigation proceedings remain pending.

On 20 August 2014, Arricano commenced legal proceedings before the District Court of Nicosia against Assofit, Stockman, Omniserve Ltd and Althor Property Investments Ltd ("Althor Property"). In the aforementioned process, Arricano succeeded in obtaining interim orders. The interim orders imposed restrictions on the transfer and/or otherwise alienation of

Stockman's shares in Assofit as well on Stockman's voting and shareholding rights and inter alia, ordered Althor Property to transfer the shares it received to Assofit back to Stockman.

Given the fact that there are pending litigations with Stockman, the Group is not able to exercise significant influence over the investee. If the developments in the abovementioned litigations be not successful for the Company, then this may negatively influence the recoverable amount of the investment in Assofit. Management believes that the above mentioned litigations do not affect the Company's legal title to 49.97% of the nominal voting and ownership rights in the investee.

(ii) Legal case in respect of PrJSC Livoberezhzhiainvest

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 rights to the shopping centre "RayON" and to return the shopping centre to PrJSC Dniprovska Prystan. As at 30 June 2014, the carrying amount of the shopping centre "RayON" is USD 54,500 thousand (unaudited) (31 December 2013: USD 67,000 thousand). On 13 August 2014, the Kyiv administrative court ruled in favour of the Group. This decision may be further appealed. However, the Group's management believes that the claims of PrJSC Dnirpovska Prystan are not substantiated and the Group will be successful in defending the legitimacy of the abovementioned ownership rights in court.

(iii) Legal case in respect of Mezokred Holding LLC

On 17 April 2014, a claim was filed against Mezokred Holding LLC by a third party individual seeking to nullify the resolution issued by the Kyiv City Council, according to which the latter has approved the allocation to Mezokred Holding LLC of a land plot in Obolon District of Kyiv for the construction of a hypermarket and entitled Mezokred Holding LLC to lease this land plot for a period of 25 years. On 21 May 2014 and 15 July 2014, the Kyiv Administrative Court and the Kyiv Court of Appeal ruled against the Group. On 4 August 2014, the Group filed a cessation appeal to the Court of Appeal and this appeal was accepted by the court. As at the date that these consolidated interim condensed financial statements are authorised for issuance, no hearings of the court of cessation appeal were scheduled. On 6 August 2014, the public prosecutor filed a new claim against Mezokred Holding LLC to recognise the lease agreement for a land plot in Obolon District of Kyiv as invalid. The related hearings of the first instance court are scheduled for 12 September 2014. Management believes that court proceedings under the prosecutor's claim will be suspended until passing of the ruling of the court of cessation appeal in respect of the claim issued on 17 April 2014 and the Group will be successful in defending its title to the lease agreement for the land plot concerned in the court of cessation appeal. Should this not be the case, the Group may ultimately lose its lease rights for a land plot concerned and title to the related investment property. As at 30 June 2014, the fair value of the land plot and property under construction at Mezokred Holding LLC is USD 7,423 thousand and USD 756 thousand, respectively (refer to note 8) (unaudited).

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

(e) Taxation contingencies

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be 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.

25 Related party transactions

(a) Control relationships

The Group's major 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 consolidated interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2014 is represented by salary and bonuses of USD 253 thousand (unaudited) (six months ended 30 June 2013: USD 197 thousand (unaudited)).

The Director of the Company, Hillar Teder, indirectly controls 63.80% of the voting shares of the Company. Apart from this, the adult son of Hillar Teder controls 7.48% of the voting shares of the Company.

(c) Transactions and balances with entities under common control

Outstanding balances with entities under common control are as follows:

(in thousands of USD)	**30 June 2014 (unaudited)**	31 December 2013
Prepayment for investment property	**-**	7,267
Short-term loans receivable	**40,477**	40,496
Trade receivables	**7,276**	10,761
Other receivables	**9,188**	9,654
Provision for impairment of trade and other receivables from related parties	**(14,249)**	(17,282)
	42,692	50,896
Other long-term liabilities	**-**	10,000
Short-term loans and borrowings	**29,331**	30,309
Trade and other payables	**338**	294
Payables for construction works	**18,526**	10,545
Advances received	**59**	86
Other liabilities	**20,147**	10,151
	68,401	61,385

None of the balances are secured. The term and conditions of significant transactions and balances with entities under common control are described in notes 7, 9, 12 and 14.

Expenses incurred and income earned from transactions with entities under common control for the six months ended 30 June are as follows:

(in thousands of USD)	**2014 (unaudited)**	2013 (unaudited)
Interest expense	**(2,443)**	-
Interest income	**581**	2,396
Other operating expenses	**(516)**	-

During the six months ended 30 June 2014, construction works performed by entities under common control amounted to USD 12,940 thousand (unaudited) (six months ended 30 June 2013: nil).

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

(d) Guarantees issued

The Group's related parties issued guarantees securing loans payable by Ukrainian subsidiaries of Arricano Real Estate PLC to the EBRD (loans payable by Grandinvest PrJSC, UkrPanGroup PrJSC), OJSC "Bank "St.Petersburg" (loans payable by Livoberezhzhiainvest PrJSC) and Oshchadbank (loan payable by Comfort Market Luks LLC). The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans as at 30 June 2014 of USD 18,874 thousand (unaudited) (31 December 2013: USD 23,441 thousand), in relationship to OJSC "Bank "St.Petersburg" as at 30 June 2014 of USD 23,939 thousand (unaudited) (31 December 2013: USD 24,849 thousand) and in relation to Oshchadbank as at 30 June 2014 of USD 10,061 thousand (unaudited) (31 December 2013: USD 10,091 thousand).

26 Subsequent events

In July 2014, the Group signed an amended loan agreement with Bytenem Co Limited and the amount of the loan facility was increased by USD 3,000 thousand to USD 16,051 thousand. As at the date these consolidated interim condensed financial statements are authorised for issuance, the Group has not yet received the additional funds under this facility.

In July 2014, the Group signed a loan agreement with a related party, Gingerfin Holdings Limited, for a total loan facility of USD 7,000 thousand, maturing on 31 December 2015 and bearing an annual interest rate of 10%. The loan facility will be used to finance the construction of the investment property at Mezokred Holding LLC until its acquisition by the ultimate controlling party (refer to note 8).

On 29 August 2014 the Group approved to establish Crimsonville Investments Limited, a new subsidiary with incorporation in Cyprus. This subsidiary will be facilitating operations, management and maintenance of the investment property currently owned by one of the Group's entities established in Ukraine.

Subsequent to the balance sheet date, Assofit Holding Limited transferred the shares of Prizma Beta LLC (refer to note 5) to Financial and Investmet Solutions BV, a company registered in the Netherlands, despite that fact that an Interim Receiver was appointed in Assofit with the role of collecting and safeguarding the assets of the said company. Moreover, Bank Pivdeniy, Ukraine which extended a loan of USD 32,000 thousand to Prizma Beta LLC and held the mortgage over the hypermarket and the shopping mall, exercised its mortgage in the form of recovery of the shopping mall through its repossession.