25 September 2019

Arricano Real Estate plc

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

Interim Results for the 6 months ended 30 June 2019

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine. Today, Arricano owns and operates five completed shopping centres comprising 147,500 sqm of gross leasable area, a 49.97% shareholding in Assofit and land for a further three sites under development.

Highlights:

- Total revenues increased by 17% to USD 17.3 million (30 June 2018: USD 14.8 million)
- Profit before tax, before revaluation gains/losses increased, largely due to FX gains, by 53 % to USD 9.8 million (30 June 2018: USD 6.4 million)
- Total fair valuation of the Company's portfolio increased by c.9% USD 22.8 million to USD 281.3 million as at 30 June 2019 (31 December 2018: USD 258.5 million) due to an USD15.6 million increase in the fair valuation of operating property portfolio as well as USD7.2 million construction progress on projects in development
- Occupancy increased to 99.9% as at 30 June 2019 (30 June 2018: 99.7%)
- Bank borrowings remain conservative at the property level with a loan to investment property ratio of 15 % as at 30 June 2019 (31 December 2018: 14%).
- Total borrowings to investment property ratio is 37 % as at 30 June 2019 (31 December 2018: 37%)
- Net asset value USD 111.8 million (31 December 2018: USD 94 million)
- Signed 82 new lease agreements during H1 2019 compared to 68 in H1 2018
- Footfall in H1 2019 remained at the level of 23 million visitors consistent with H1 2018

Ganna Chubotina, Acting CEO of Arricano, commented:

"This has been another good trading period for the Group building upon the growth achieved in 2018. Our shopping malls are operating at virtually 100% capacity, attracting over 23 million visitors during first half year 2019 which is reflected in the significant growth in profitability in this period. The business has continued this momentum into the second half of the year and is well placed to deliver an excellent result for the year."

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Tim Robertson/Fergus Young

Acting Chief Executive's Statement

Introduction

I am delighted to be making my first financial statement as Acting CEO of Arricano.

The Company has again delivered a strong trading performance for the first six months of 2019 with a 17% increase in total revenues together with significant growth in underlying profit before tax before revaluation gains/losses to USD 9.8 million (2018: USD 6.4 million). Despite the challenges of the wider political and economic environment, the Company continues to expand and develop.

At the heart of the business is the appeal of the Group's malls both to consumers and retail tenants. In July 2019, the vacancy rate across the portfolio was just 0.1%, the lowest vacancy rate the Group has recorded since 2012 and a reflection of the operating team's success in retaining and attracting new tenants.

Reflecting the commercial strength of the business the Company has successfully agreed 4 new banking facilities to provide USD 40 million of fresh capital to progress current development projects in particular the Lukyanivka project including for refinancing USD10.8 million of existing loans.

Results

Revenues for the six months to 30 June 2019 increased by 17% to USD 17.3 million, compared with the same period last year, with net operating income (before revaluation gains) from the operating properties increasing by 4 % to USD 11.4 million compared to USD 11.0 million in H1 2018.

The Company reported an increase in pre-tax profit (excluding revaluation gains) of USD 3.4 million to USD9.8 million (30 June 2018: USD 6.4 million). Included in this performance are FX gains over the period of USD 4.6 million (2018: USD 1.6 million)

The portfolio of property assets was independently valued as at 30 June 2019 by Expandia LLC, (part of the CBRE Affiliate Network) at USD 281.3 million (31 December 2018: USD 258.5 million). The valuation incorporated a small loss due to due to strengthening of functional currency.

Net profit after tax for the six months to 30 June 2019 was USD 8.6 million (30 June 2018: USD 13.9 million) giving earnings per share of USD 0.08 (30 June 2018: USD 0.13).

- Bank debt at the half-year end was USD 41.1 million, with the majority of borrowings at the project level at an average rate of 13.1%. Bank loans mature between 2019 and 2024 and the Company's bank loan to investment property value ratio is comparatively low at 15% as at 30 June 2019. In addition, the Company had USD 9.1 million of cash and cash equivalents, and non-bank loans of USD 62.5 million as at 30 June 2019. Total amount of loans and borrowings as at 30 June 2019 was USD 103.6 million. Total borrowings to investment property ratio is 37 % as at 30 June 2019 (31 December 2018: 37%)

Operational Review

The market environment continues to be challenging as it has been since 2012, however, Arricano has consistently shown that it is able to continue to grow in these market conditions. Key to the Company's success has been a relentless focus on enhancing the appeal of all of the Company's shopping and entertainment centres. It is noteworthy that the average vacancy level across all malls in Kyiv is 5.5% which compares starkly to the current vacancy rate of the Arricano portfolio of 0.1 %.

Over the last 2 years digital interaction has been at the forefront of the Company's marketing activities. Arricano has sought to work collaboratively between consumers and retailers seeking to combine the physical experiences in a mall with digital shopping experiences. The Company leads this expertise in Ukraine and has established a media platform with over 200,000 subscribers and an average monthly reach of more than 4 million people. A key focus has been to link this platform with retail activity but to do so in an innovative manner so consumers are happy to receive content which they do not view as advertising.

As ever, the operating team has been working to find the optimum mix of retailers in each shopping mall, ensuring the best known and most popular retailers are present but also combining a blend of new aspiring retailers to create a fresh environment. In total, Arricano signed 82 new leases in the first six months of 2019 (HY1 2018: 68). This was a good performance increasing occupancy and achieving an average rental rate (excluding hypermarkets) of USD 21.2 per sq.m. (HY1 2018: USD 18.5 per sq.m.).

It is the Company's strategy to recycle capital through the sale of mature shopping and entertainment centres into both new development projects with the potential for generating higher returns and the return of capital to investors. In July 2019, Arricano confirmed it had entered into negotiations to sell Sun Gallery and City Mall with Dragon Capital Investments Limited and with other parties. Further updates with regard to these potential sales will be made in due course.

The three development sites covering 14 ha. in Lukyanivka (Kyiv), Petrivka (Kyiv), and Rozumovska (Odesa) continue to be progressed. With the capital from the new banking facilities, the highly innovative Lukyanivka project has made good progress and is expected to be completed in 2021.

Regarding the 49.97% shareholding in Assofit Holdings Limited ("Assofit"), a holding company, which held the Sky Mall shopping centre, the Company continues to pursue Stockman Interhold S.A. concerning the ownership of Assofit.

People

From a trading perspective, this has been another successful period for the Company which reflects the high levels of commitment and hard work from all employees of Arricano and on behalf of the Board I would like to thank them.

Outlook

The excellent trading performance in the first six months means the business is well placed to achieve a good result for the year. We are in the process of refocusing the business with the possible sale of two mature sites which will provide further capital to progress our new projects primarily in Kyiv. At the same time, we will continue to push to improve all aspects of our malls to enhance the experience of consumers and retailers and create aspirational spaces to shop, relax and socialise. The second half of 2019 has begun well with trading patterns in line with our internal expectations.

Ganna Chubotina

Acting Chief Executive Officer

25 September 2019

INDEPENDENT AUDITORS' REPORT ON REVIEW OF

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

TO ARRICANO REAL ESTATE PLC

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of Arricano Real Estate Plc and its subsidiaries (‘’the Group’’**)**, as at 30 June 2019, the consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements (‘the consolidated interim condensed financial statements’). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”, as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

John C. Nicolaou, CPA
Certified Public Accountant and Register Auditor

For and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street,
3022 Limassol,
Cyprus

25 September 2019

	Note	**30 June 2019 (unaudited)**	31 December 2018*****
(in thousands of USD)			
Assets			
Non-current assets			
Investment property	*4*	**281,311**	258,537
Long-term VAT receivable		**1,490**	568
Property and equipment		**143**	121
Intangible assets		**136**	101
Total non-current assets		**283,080**	259,327
Current assets			
Trade and other receivables		**1,401**	1,640
Loans receivable		**320**	300
Prepayments made and other assets		**744**	781
VAT receivable		**651**	225
Assets classified as held for sale		**1,653**	1,562
Income tax receivable		**464**	178
Cash and cash equivalents		**9,137**	4,224
Total current assets		**14,370**	8,910
Total assets		**297,450**	268,237

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 27.

	Note	**30 June 2019 (unaudited)**	31 December 2018*
(in thousands of USD)			
Equity and Liabilities			
Equity			
Share capital		**67**	67
Share premium		**183,727**	183,727
Non-reciprocal shareholders contribution		**59,713**	59,713
Retained earnings		**47,493**	38,937
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(117,246)**	(126,429)
Total equity		**111,771**	94,032
Non-current liabilities			
Long-term loans and borrowings	*5*	**26,858**	44,501
Lease liabilities (2018: Finance lease liability)		**7,757**	7,271
Trade and other payables		**16,048**	17,572
Other long-term liabilities	*6*	**97**	20,046
Deferred tax liability		**8,998**	6,917
Total non-current liabilities		**59,758**	96,307
Current liabilities			
Short-term loans and borrowings	*5*	**76,753**	52,006
Trade and other payables		**10,278**	10,588
Taxes payable		**1,938**	1,476
Advances received		**6,212**	5,605
Current portion of lease liabilities (2018: Current portion of finance lease liability)		**2**	6
Other liabilities	*6*	**30,738**	8,217
Total current liabilities		**125,921**	77,898
Total liabilities		**185,679**	174,205
Total equity and liabilities		**297,450**	268,237

* The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

These consolidated interim condensed financial statements were approved by the Board of Directors on 25 September 2019 and were signed on its behalf by:

Urmas Somelar
Director

Frank Lewis
Director

(in thousands of USD, except for earnings per share)	*Note*	**Six months ended 30 June 2019 (unaudited)**	Six months ended 30 June 2018* (unaudited)
Revenue	*7*	**17,351**	14,810
Other income		**1**	489
(Loss)/ gain on revaluation of investment property	*4(a)*	**(991)**	9,765
Goods, raw materials and services used		**(527)**	(455)
Operating expenses		**(4,058)**	(2,533)
Employee costs		**(1,302)**	(1,230)
Depreciation and amortisation		**(39)**	(46)
Profit from operating activities		**10,435**	20,800
Finance income	*8*	**4,832**	1,682
Finance costs		**(6,438)**	(6,282)
Profit before income tax		**8,829**	16,200
Income tax expense		**(273)**	(2,300)
Profit for the period		**8,556**	13,900
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect		**15,916**	21,666
Foreign currency translation differences		**(6,733)**	(13,437)
Total items that may be reclassified to profit or loss		**9,183**	8,229
Other comprehensive income		**9,183**	8,229
Total comprehensive income for the period		**17,739**	22,129
Weighted average number of shares (in shares)		**103,270,637**	103,270,637
Basic and diluted earnings per share, USD		**0.08**	0.13

* The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

	Note	**Six months ended 30 June 2019 (unaudited)**	Six months ended 30 June 2018 (unaudited)
(in thousands of USD)			
Cash flows from operating activities			
Profit before income tax		**8,829**	16,200
Adjustments for:			
Interest income	*8*	**(279)**	(108)
Finance costs		**6,438**	6,282
Loss/(gain) on revaluation of investment property	*4(a)*	**991**	(9,765)
Depreciation and amortisation		**39**	46
Unrealised foreign exchange gain	*8*	**(4,553)**	(1,574)
Reversal of allowance for bad debts		**-**	(11)
Accrual of provisions		**1,554**	-
Operating cash flows before changes in working capital		**13,019**	11,070
Change in trade and other receivables and prepayments made and other assets		**401**	1,368
Change in VAT receivable		**(1,267)**	46
Change in trade and other payables		**517**	(397)
Change in advances received		**282**	316
Change in other liabilities		**51**	6
Change in taxes payable		**368**	(430)
Income tax paid		**(899)**	(498)
Interest paid		**(2,368)**	(2,330)
Cash flows from operating activities		**10,104**	9,151
Cash flows from investing activities			
Acquisition of investment property, excluding capitalized borrowing costs and settlements of payables due to constructors		**(9,912)**	(3,612)
Acquisition of property and equipment and intangible assets		**(82)**	(33)
Interest received		**279**	108
Cash flows used in investing activities		**(9,715)**	(3,537)

(in thousands of USD)	*Note*	**Six months ended 30 June 2019 (unaudited)**	Six months ended 30 June 2018 (unaudited)
Cash flows from financing activities			
Proceeds from borrowings		**13,251**	-
Repayment of borrowings		**(8,873)**	(4,165)
Lease payments (2018: Finance lease payments)		**(265)**	(268)
Cash flows from/ (used in) financing activities		**4,113**	(4,433)
Net increase in cash and cash equivalents		**4,502**	1,181
Cash and cash equivalents at 1 January		**4,224**	2,609
Effect of movements in exchange rates on cash and cash equivalents		**411**	225
Cash and cash equivalents at 30 June		**9,137**	4,015

	Attributable to equity holders of the parent						
(in thousands of USD)	**Share capital**	**Share premium**	**Non-reciprocal shareholders contribution**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2018	67	183,727	59,713	834	(61,983)	(130,176)	52,182
Total comprehensive income for the period							
Profit for the period	-	-	-	13,900	-	-	13,900
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect	-	-	-	-	-	21,666	21,666
Foreign currency translation differences	-	-	-	-	-	(13,437)	(13,437)
Total other comprehensive income	-	-	-	-	-	8,229	8,229
Total comprehensive income for the period	-	-	-	13,900	-	8,229	22,129
Balances at 30 June 2018 (unaudited)	67	183,727	59,713	14,734	(61,983)	(121,947)	74,311

	Attributable to equity holders of the parent						
(in thousands of USD)	**Share capital**	**Share premium**	**Non-reciprocal shareholders contribution**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2019*	**67**	**183,727**	**59,713**	**38,937**	**(61,983)**	**(126,429)**	**94,032**
Total comprehensive income for the period							
Profit for the period (unaudited)	**-**	**-**	**-**	**8,556**	**-**	**-**	**8,556**
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)	**-**	**-**	**-**	**-**	**-**	**15,916**	**15,916**
Foreign currency translation differences (unaudited)	**-**	**-**	**-**	**-**	**-**	**(6,733)**	**(6,733)**
Total other comprehensive income (unaudited)	**-**	**-**	**-**	**-**	**-**	**9,183**	**9,183**
Total comprehensive income for the period (unaudited)	**-**	**-**	**-**	**8,556**	**-**	**9,183**	**17,739**
Balances at 30 June 2019 (unaudited)	**67**	**183,727**	**59,713**	**47,493**	**(61,983)**	**(117,246)**	**111,771**

* The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 3.

1 Background

(a) Organisation and operations

Arricano Real Estate PLC (Arricano, the Company or the Parent Company) is a public company that was incorporated in Cyprus and is listed on the AIM Market of the London Stock Exchange. 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 2019, the Group operates five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 147,500 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be consequently developed.

(b) Business environment

During the six months ended 30 June 2019, there was no significant change in the business environment compared to those described in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

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

2 Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU) and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ("last annual financial statements"). 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 2018. 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) as adopted by the European Union (EU).

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

The results for the six-month period ended 30 June 2019 are not necessarily indicative of the results expected for the full year.

(b) Judgements 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 2018, except for valuation of loans receivable and investment in Filgate Credit Enterprises Limited and valuation of trade and other receivables, which are no longer considered significant areas of estimation uncertainty or critical judgement.

(c) Functional and presentation currency

The functional currency of Arricano Real Estate PLC is the US dollar (USD). The majority of Group entities are located in Ukraine and in the Russian Federation and have the Ukrainian Hryvnia (UAH) and Russian Rouble (RUB) as their functional currencies since substantially all transactions and balances of these entities are denominated in the mentioned currencies.The Group entities located in Cyprus, Estonia, Isle of Man and BVI have the US dollar as their functional currency, since substantially all transactions and balances of these entities are denominated in US dollar.

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

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

- Historical rates: for the equity accounts except for net profit or loss and other comprehensive income (loss) for the year.
- Year-end rate: for all assets and liabilities.
- Rates at the dates of 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 2019**	31 December 2018
UAH	**26.17**	27.69
RUB	**63.08**	69.47

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

Currency	**2019**	2018
UAH	**26.94**	26.77
RUB	**65.17**	59.47

As at the date that these consolidated interim condensed financial statements are authorised for issue, 25 September 2019, the exchange rate is UAH 24.21 to USD 1.00 and RUB 63.71 to USD 1.00.

(d) Going concern

As at 30 June 2019, the Group's current liabilities exceed its current assets by USD 111,551 thousand (unaudited).

At the same time, the Group has positive equity of USD 111,771 thousand (unaudited) as at 30 June 2019, generated net profit of USD 8,556 thousand (unaudited) and positive cash flows from operating activities of USD 10,104 thousand (unaudited) for the six months then ended.

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

- The Group has financial support from the ultimate controlling party. Based on representations received in writing from the entities under common control, management believes that the Group will not be required to settle the short- term loans payable, accrued interest, other liabilities and other payables to related parties totally amounting to USD 68,214 thousand (unaudited) as at 30 June 2019 plus any accruing interest thereon at least until 31 December 2020.
- In September 2019, the Group has received a waiver from Barleypark Limited, waiving repayment of the loan during eighteen months ending 31 December 2020, amounting to USD 22,796 thousand (unaudited), which is payable on demand and presented as short- term liability as at 30 June 2019.
- Management makes all efforts to keep occupancy rates of its shopping centres on current level. Besides, the Group managed to gradually increase its rental rates during the six months ended 30 June 2019 for existing tenants.

Management believes that the measures that it undertakes, as described above, will allow the Group to maintain positive working capital and that no material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future exists.

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.

(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; and

- Note 9(a) – 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 2019 and the year ended 31 December 2018, the Group operated in and was managed as one operating segment, being property investment.

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.

3 Changes in significant accounting policies

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

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

The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The Group has used practical expedient in respect of recognition exemption for short-term leases, and thus no additional right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments were recognised. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. As there were no differences in the amounts related to the Group's leases resulting from adoption of IFRS 16 as at 1 January 2019, the information presented for 2018 generally reflects requirements of IFRS 16. The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's services are set out below.

(a) Definition of a lease

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

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases office premises and land plots under its investment properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and for short–term lease of office premises. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment', the same line item as it presents underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property. The carrying amounts of right-of-use assets are as below.

(in thousands of USD)	Investment property
Balance at 1 January 2019	**46,985**
Balance at 30 June 2019	**47,807**

The Group presents lease liabilities in "lease liabilities" in the consolidated statement of financial position.

(i) Significant accounting policies

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

(ii) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include office premises. The leases typically run for a period of 3 years. As at 1 January 2019 remaining term of the Group's lease agreements was less than 12 months.

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

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

Thus, no right-of-use asset and a lease liability were recognised in respect of the lease of office facility.

(c) As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17 and the Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(d) Impacts on financial statements

(i) Impacts on transition and for periods

Transition to IFRS 16 had no impact on the Group's interim condensed financial statements.

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

4 Investment property

(a) Movements in investment property

Movements in investment properties for the six months ended 30 June 2019 are as follows: fair value loss on revaluation in the amount of USD 991 thousand (unaudited) (six months ended 30 June 2018: fair value gain on revaluation in the amount of USD 9,765 thousand (unaudited)); currency translation gain in the amount of USD 17,378 thousand (unaudited) (six months ended 30 June 2018: USD 8,680 thousand (unaudited)); and additions in the amount of USD 6,387 thousand (unaudited) (six months ended 30 June 2018: USD 680 thousand(unaudited)).

As at 30 June 2019, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 162,350 thousand (unaudited) (31 December 2018: USD 150,490 thousand) (refer to Note 10(a)).

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category.

As at 30 June 2019, the fair value of investment property categorised within Level 2 category is USD 29,600 thousand (unaudited) (31 December 2018: USD 29,300 thousand). To assist with the estimation of the fair value of the Group's investment property as at 30 June 2019, 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 2019, 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 (unaudited):

- monthly weighted average rental rates per shopping centers excluding turnover income, ranging from USD 8 to USD 21 per sq.m., comprising minimum rental rate of USD 3 and maximum rental rate of USD 186 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 99.4% to 99.9%, capitalisation rates ranging from 12.3% to 16.0% p.a., and discount rate of 22% 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 2018, 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 weighted average rental rates per shopping centers excluding turnover income, ranging from USD 8 to USD 20 per sq.m., comprising minimum rental rate of USD 3 and maximum rental rate of USD 189 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 99.3% to 100.0% and capitalisation rates ranging from 12.3% to 16.0% p.a., and discount rate of 22% 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 30 June 2019, fair value of investment property, denominated in functional currency amounted to UAH 5,296,076 thousand (unaudited) and RUB 3,311,469 thousand (unaudited) (31 December 2018: UAH 5,266,308 thousand and RUB 3,445,742 thousand). The increase in fair value of investment property in Ukrainian hryvnia results from increased rental payments invoiced in Ukrainian hryvnia due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the rental contracts. The decrease in fair value of investment property in Russian Rouble results from revaluation of Russian Rouble while rental rates are fixed in USD in the rental contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 30 June 2019 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 2,253 thousand (unaudited) (31 December 2018: USD 2,104 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 2,253 thousand (unaudited) (31 December 2018: USD 2,104 thousand) higher.
- If the capitalisation rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 15,869 thousand (unaudited) (31 December 2018: USD 14,810 thousand) lower. If the capitalisation rate is 1% less, then the fair value of investment properties would be USD 18,502 thousand (unaudited) (31 December 2018: USD 17,266 thousand) higher.
- If the occupancy rate is assumed to be 100% for all Group shopping centers, the fair value of investment properties would be USD 896 thousand (unaudited) higher (31 December 2018: if the occupancy rate is 1% higher than used in the valuation model, the fair

value of investment properties would be USD 1,922 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 2,013 thousand (unaudited) (31 December 2018: USD 1,922 thousand) lower.

5 Loans and borrowings

This note provides information about the contractual terms of loans.

(in thousands of USD)	**30 June 2019 (unaudited)**	31 December 2018
Non-current		
Secured bank loans	**26,668**	28,171
Unsecured loans from related parties	**-**	16,143
Unsecured loans from third parties	**190**	187
	26,858	44,501
Current		
Secured bank loans (current portion of secured long-term bank loans)	**14,442**	8,089
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**39,515**	21,913
Unsecured loans from third parties	**22,796**	22,004
	76,753	52,006
	103,611	96,507

Terms and debt repayment schedule

As at 30 June 2019, 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				
Tascombank and Universal Bank	USD	11.25-13%	2019-2023	18,742
Tascombank	USD	10.75-12%	2019-2024	4,005
EBRD	USD	7.5%+ 1m LIBOR	2019-2020	7,022
Raiffeisen Bank Aval	UAH	18.00%	2019-2020	6,036
Raiffeisen Bank Aval	UAH	19.75%	2019-2023	5,305
				41,110
Unsecured loans from related parties				
Retail Real Estate OU	USD	10.50%	2019	13,028
Retail Real Estate OU	USD	12.00%	2020	26,194
Retail Real Estate OU	USD	10.00%	2019	222
Loans from other related parties	UAH/USD	0.00%-3.20%	2019	71
				39,515
Unsecured loans from third parties				
Barleypark Limited	USD	10.55%	2019	22,796
Loans from other third parties	USD	3.20%	2022	190
				22,986
				103,611

As at 31 December 2018, 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				
Tascombank, VS Bank and Universal Bank	USD	11.25-13.00%	2019-2023	15,578
EBRD	USD	7.50%+ 1m LIBOR	2019-2020	8,913
EBRD	USD	8.00%+ 3m LIBOR	2019-2020	5,462
Raiffeisen Bank Aval	UAH	18.00%	2019-2020	6,307
				36,260
Unsecured loans from related parties				
Retail Real Estate OU	USD	10.50%	2019	12,539
Retail Real Estate OU	USD	12.00%	2019-2020	25,225
Retail Real Estate OU	USD	10.00%	2019	215
Loans from other related parties	UAH/USD	0.00%-3.20%	2019	77
				38,056
Unsecured loans from third parties				
Barleypark Limited	USD	10.55%	2019	22,004
Loans from other third parties	USD	3.20%	2022	187
				22,191
				96,507

LIBOR for USD is as follows:

	30 June 2019	31 December 2018
LIBOR USD 3M	**2.43%**	2.75%
LIBOR USD 1M	**2.48%**	2.38%

Raiffeisen Bank Aval

On 20 February 2019, the Group company, Prisma Alpha LLC, entered into a new loan agreement with JSC "Raiffeisen Bank Aval" to finance the construction of the Lukyanivka shopping and entertainment centre. The loan facility limit comprises UAH 140,000 thousand, expires on 31 December 2023 and bears interest of 19.75% per annum, in addition to an initial set up fee of 0.5% from limit amount. Along with the loan agreement, the Group signed secondary pledge agreements in respect of investment property of Prisma Alpha LLC in the amount of USD 32,900 thousand as at 30 June 2019 and future rights on income of LLC Prisma Alpha under the lease agreements.

Syndicated loan from JSC "Tascombank" and PJSC "Universal Bank"

On 30 July 2018, the Group entered into the syndicated loan agreement with JSC "Tascombank", PJSC "VS Bank" and PJSC "Universal Bank" to refinance loan from PJSC "Bank "St.Petersburg" initially amounting to USD 15,187 thousand as at 30 June 2018. The new loan obtained initially amounted to USD 15,200 thousand, bears an interest rate of 11.25% during the period from July 2018 until December 2019 and of 13.00% during the period from January 2020 until July 2023.

On 14 August 2018, the credit facility under the new loan agreement was increased by USD 800 thousand to USD 16,000 thousand. Along with the loan agreement, the Group signed pledge agreements in respect of investment property of PrJSC "Livoberezhzhiainvest" in the amount of USD 43,190 thousand as at 31 December 2018 and investment in "PrJSC Livoberezhzhiainvest". In October 2018 PJSC "VS Bank" was restructured and its shares were acquired by JSC "Tascombank".

On 13 June 2019, the credit facility under the new loan agreement was increased by USD 4,000 thousand to USD 20,000 thousand. The new loan tranche obtained bears an interest rate of 11.25% and loan administration fee of 0.2% per annum during the period from June 2019 until December 2019 and of 13.00% and loan administration fee of 0.2% per annum during the period from January 2020 until July 2023.

JSC "Taskombank"

On 27 June 2019 PrJSC "Ukrpangroup", the Group's company, entered into a new loan facility agreement with JSC "Taskombank" to partially repay loan from other Group's company and to finance construction of the Lukynavika shopping and entertainment centre. The facility limits to USD 12,000 thousand, expires on 26 June 2024 and bears interest of 10.75% and loan administration fee of 0.2% per annum per annum for the first 18 months and thereafter at 12.00% and loan administration fee of 0.2% per annum.

Along with the loan agreement, the Group signed pledge agreements in respect of investment property of PrJSC "Ukrpangroup" in the amount of USD 30,800 thousand as at 30 June 2019 and investment in PrJSC "Ukrpangroup".

No other changes to the loan contracts took place during six months ended 30 June 2019.

6 Other liabilities and other long-term liabilities

As at 30 June 2019, other liabilities mainly comprise the amount of principal and the amount of interest of the deferred consideration that is payable in respect of the acquisition in 2013 of Wayfield Limited and its subsidiary Budkhol LLC, amounting to USD 20,000 thousand (unaudited) and USD 9,184 thousand (unaudited), respectively. As at 31 December 2018 the balance was presented as other long-term liabilities in the amount of principal and as other current liabilities in the amount of interest: USD 20,000 thousand and USD 8,217 thousand, respectively. Deferred consideration has maturity on 30 June 2020 and was presented as short–term as at 30 June 2019.

7 Revenue

The Group's operations are those described in the last annual financial statements. The major amount of the Group's revenue is represented by rental income from investment properties that falls within the requirements of IFRS 16 *Leases* and amounts to USD 14,066 thousand (unaudited) for the six months ended 30 June 2019 (six months ended 30 June 2018 (unaudited): USD 11,900 thousand).

All other types of services are derived from contracts with customers and fall within the scope of IFRS 15 *Revenue*.

(a) Disaggregation of revenue

The following table shows the revenue, other than rental income, disaggregated by major service lines, as at 30 June. All below types of the Group's revenue are represented by services transferred over time.

	2019	2018

(in thousands of USD)	**(unaudited)**	
Common parts exploitation services	**3,150**	2,797
Marketing services	**135**	113
	3,285	2,910

8 Finance income

As at 30 June 2019, finance income comprises foreign exchange gain in the amount of USD 4,553 thousand (unaudited) (six months ended 30 June 2018: USD 1,574 thousand) and interest income of USD 279 thousand (six months ended 30 June 2018: USD 108 thousand). The increase in foreign exchange gain mainly relates to loans and borrowings denominated in US dollars and results from strengthening position of Russian Rouble and Ukrainian hryvnia against US dollar.

9 Financial risk management

During the six months ended 30 June 2019, the Group had no significant changes in financial risk management policies as compared to 31 December 2018.

(a) Fair values

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

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.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	30 June 2019 (unaudited)		31 December 2018	
	Carrying amount	**Fair value Level 2**	Carrying amount	Fair value Level 2
(in thousands of USD)				
Non-current financial liabilities not measured at fair value				
Secured bank loans	**26,668**	**28,483**	28,171	30,720
Payables for construction works	**16,012**	**17,804**	17,564	19,655

42,680	**46,287**	45,735	50,375

10 Commitments and contingencies

(a) Pledged assets

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

(in thousands of USD)	**30 June 2019 (unaudited)**	31 December 2018
Investment property (note 4(a))	**162,350**	150,490
Call deposits	**3,263**	2,410
Bank balances	**33**	41
	165,646	152,941

As at 30 June 2019 (unaudited) and 31 December 2018, the Group has also pledged the following:

- Future rights on income of Prisma Alfa LLC and Comfort Market Luks LLC under all lease agreements;
- Investments in the following subsidiaries: PrJSC Ukrpangroup, Comfort Market Luks LLC and PrJSC Livoberezhzhiainvest.

(b) Construction commitments

The Group entered into contracts with third parties to construct a shopping centre in Kyiv and a shopping centre in Odesa for the total amount of USD 57,134 thousand as at 30 June 2019 (unaudited) (31 December 2018: USD 18,285 thousand).

(c) Taxation contingencies

(i) Ukraine

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

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(ii)Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally 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. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as concept of beneficial ownership of income, etc. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated interim condensed financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(iii)Republic of Cyprus

Operations of the Group in Cyprus are mainly limited to provision of intra-group financing, transactions related to Assofit legal case and various management activities. Transactions performed by the Cyprus entities of the Group fall within the jurisdiction of Cyprus tax authorities. The Cyprus tax system can be characterized by numerous taxes, legislation may be applied retrospectively, open to wide interpretation. VAT and income tax declarations are subject to review and investigation by authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the Tax department during the six subsequent calendar years, however under certain circumstances a tax year may remain open longer.

Additionally, a new transfer pricing legislation was enacted in Cyprus from 30 June 2017, which requires entities to conduct intra-group financing transactions on the arm's length principle (a principle under which transactions are performed at market rates, as would have been performed between unrelated entities). The legislation requires taxpayers to prepare and submit to the tax authorities Transfer pricing study documents justifying margins applied to the intra-group financing. The compliance of margins applied to the arms' length principle could be a subject to scrutiny on the basis of unjustified tax benefit concept. Given the fact that the above rule has been in force for a limited period of time, currently, there is no established practices of its application by the tax authorities, and there can be no assurance that the tax authorities' interpretations of the approaches used by the Group may differ, which could result in accrual of fines and penalty interest on the Group.

During the prior years, the Group incurred certain foreign legal expenses, where the VAT accounted for on these expenses was fully claimed. Management believes that the Group properly claimed the VAT accounted for on these expenses, on the basis of the plans to further collect reimbursement of the said expenses, being purely of legal nature, from respective parties in full.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions.

11 Related party transactions

(a) Control relationships

The Group's largest shareholders are Retail Real Estate OU, Dragon – Ukrainian Properties and Development plc, Deltamax Group OU, Mr. Rauno Teder and Mr. Jüri Põld. The Group's ultimate controlling party is Estonian individual Mr. Hillar Teder. Mr. Hillar Teder indirectly controls 55.04% of the voting shares of the Company. Apart from this, the adult son of Mr. Hillar Teder, Mr. Rauno Teder, directly and indirectly controls 15.82% of the voting shares of the Parent Company.

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the consolidated condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 is represented by salary and bonuses of USD 456 thousand (unaudited) (six months ended 30 June 2018: USD 538 thousand (unaudited)).

Directors' interests

The direct and indirect interest of the members of the Board in share capital of the Company as at 31 December 2018 and 30 June 2019 and as at the date of signing of these consolidated interim condensed financial statements is as follows:

Name	**Type of interest**	**Effective shareholding rate**
Mr. Jüri Põld	Direct shareholding	7.07%

(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 2019 (unaudited)**	31 December 2018
Short-term loans receivable	**11,077**	10,941
Trade receivables	**20**	14
Other receivables	**8,160**	8,160
Provision for impairment of loans receivable and trade and other receivables	**(19,236)**	(19,099)
	21	16
Long-term loans and borrowings	**-**	16,143
Short-term loans and borrowings	**39,515**	21,913
Trade and other payables	**1,039**	1,049
Advances received	**26**	25
Other liabilities	**29,184**	28,217
	69,764	67,347

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)	**2019 (unaudited)**	2018 (unaudited)

Interest expense	**(2,420)**	(2,409)

All outstanding balances with related parties are priced on an arm's length basis and are to be settled in cash in accordance with contractual terms, except for those mentioned in Note 2(d). None of the balances are secured.

(d) Guarantees received

The Group's related parties issued guarantees securing loans payable by UkrPanGroup PrJSC to the EBRD. The guarantee covered the total amount of outstanding liabilities in relation to the EBRD of USD 5,462 thousand as at 31 December 2018. During the six months ended 30 June 2019 this loan was fully repaid by the Group.

12 Subsequent events

(a) Changes in loan agreements

On 25 July 2019, the Group entered into a new loan agreement with Joint Stock Company "State Savings Bank of Ukraine". The new loan is secured by a mortgage over Prospekt shopping and entertainment centre and a pledge of the shares of LLC Comfort Market Luks and other securities provided by the Group. The loan limit is USD 19,000 thousand, comprising a first tranche of USD 6,808 thousand provided by the bank following satisfaction of certain conditions and a second and following tranches with total amount up to USD 12,192 thousand to be provided at the bank's discretion following satisfaction of certain conditions. The terms of loan is 60 months for the first tranche and 84 months for the second tranche with 10.5% per annum interest rate. The proceeds of the loan shall be used as to USD 6,808 thousand to refinance an existing 1m Libor+7,5% loan to the Group company, LLC Comfort Market Luks from the European Bank for Reconstruction and Development and remaining amount to finance ongoing construction of the Lukyanivka shopping and entertainment centre.

(b) Potential property disposal

On 31 July 2019, the Group has entered into negotiations to sell two of its shopping and entertainment centres, Sun Gallery and City Mall with fair value as at 30 June 2019 amounting to USD 31,900 thousand and USD 32,900 thousand, respectively. The Company has entered into non-binding heads of terms with Dragon Capital Investments Limited and with other parties in relation to such sale.