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## **Final Results**

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Arricano Real Estate PLC

21 April 2021

### **Arricano Real Estate plc**

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

### **Final Results**

### **Audited Results for the 12 months ended 31 December 2020**

#### Highlights

- The Group's revenue was down by 13% to USD 32.3 million (2019: USD 37.3 million) as a result of COVID-19 restrictions implemented by government and resulting in significant interruption to trading
- To offset the impact of COVID-19, the Group reduced costs by US 2.2 million (17%) compared to 2019
- Underlying operating profit before revaluation of investment property was lower by 11% at USD 21.7 million (2019: USD 24.4 million)
- Gain on revaluation of investment property of USD 24.9 million was primarily related to an increase of USD in relation to Group's functional currency.
- As a result, Group's net profit increased to USD 20.2 million (2019: USD 8.0 million)
- The total fair valuation of the Group's portfolio decreased to USD 275.5 million (2019: USD 289.3 million) primarily due to uncertainty in the overall situation in retail due to COVID-19 challenges that resulted in an increase in capitalization rates used in valuation of properties.
- Net asset value was therefore USD 119.4 million as at 31 December 2020 (31 December 2019: USD 127.9 million)

#### **Ganna Chubotina, Chief Executive Officer of Arricano, commented:**

"During 2020, the government in Ukraine put in place restrictions to reduce human interaction to combat the COVID-19 pandemic. These measures resulted in the partial closure of the Arricano shopping malls for between 52-81 days (depending on region), restricting visitor access to essential stores. However, despite the temporary closure of retail stores and reduced access, the occupancy rate across the Arricano portfolio remained at 99%, the same level it has been since 2018 and revenue decreased by just 13% reflecting, we believe, a very resilient performance by the Group as a whole."

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## Chief Executive Officer's Report

### Introduction

I am pleased to confirm that during 2020 despite the significant restrictions caused by the Covid-19 pandemic, our shopping malls continued to perform well, largely retaining their tenant base, attracting millions of visitors and still adding new international brands as tenants. This is reflected in the trading performance which saw underlying operating profits (before revaluation effect) delivered at USD 21.7 million just 11% lower compared to prior year despite shopping malls being closed for extended periods.

Critical to the Company's performance in this period was our ability to reduce our costbase by USD 2.2 million compared to the last year. In addition, we supported our tenants on a case by case basis, which limited the reduction in rental income whilst also maintaining investment in the development of the Lukyanivka shopping centre project in Kyiv.

Since the year end, further lockdowns have been introduced by the local government in Ukraine for 2.5 weeks in January 2021 and then another lockdown was introduced in Kyiv on 20 March 2021 and in Zaporozhya on 3 April 2021. As a result of the latest lockdowns, apart from hypermarkets, pharmacies and some other essential stores, outlets in Arricano's Prospekt, Rayon and City Mall centres remain closed until further notice.

### Results

Recurring revenues for the period decreased by 13% to USD 32.3 million (2019: USD 37.3 million). Underlying operating profit before revaluation of investment property was USD 21.7 million, compared to USD 24.4 million. Gain on revaluation of investment property of USD 24.9 million was primarily related to an increase of USD in relation to Group's functional currency. At the same time, the gain on revaluation was

offset by a foreign exchange loss in the amount of USD 9.7 million and USD 28.7 million foreign currency translation difference included into other comprehensive income.

Net profit amounted to USD 20.2 million (2019: USD 8.0 million).

The total fair valuation of the Group's portfolio decreased to USD 275.5 million (2019: USD 289.3 million) primarily due to uncertainty in the overall situation in retail due to COVID-19 challenges that resulted in an increase in capitalization rates used in valuation of properties.

Net asset value was USD 119.4 million as at 31 December 2020 (31 December 2019: USD 127.9 million)

## Operational Review

Like many businesses we were challenged in 2020 to operate as never before and I am pleased to report we responded strongly to this challenge. I believe we have learnt new ways of operating which we can take forward to the benefit of all our stakeholders. I am particularly grateful to the employees of Arricano for the dedication and sacrifices they made during this period to support the long-term prospects for the Company.

Key to our success has been our strategy of working collaboratively with mutual trust and respect which has helped us navigate through these periods and we are confident our malls will maintain their reputations as market leading retail centres and continue to attract millions of visitors each year.

When we were allowed to trade, we saw consumer confidence returning, alongside a gradual increase in visitor numbers across our portfolio. As before, our strategy remains centred around improving customer experiences. We seek innovative ways to influence and stimulate consumers, encouraging them to visit our shopping centres and once inside focus on creating the right balance between retail, leisure and socialising.

Throughout the crisis and continuing today, our first priority is the safety of our visitors and we have a rigorous programme of cleaning together with offering contactless movement and contactless sales, alongside the creation of additional opportunities for self-service while shopping and delivery of purchased or ordered items. This is essential for safety but also for re-building trust in our assets.

Critically, the number of visitors to the malls in 2020, including the periods of government restrictions, amounted to 33.1 million visitors, which is only 19% less than in 2019. Equally noteworthy, is that when the shopping malls were operating normally, visitor numbers only decreased by 5% compared to the same period in 2019. These are strong indicators in terms of the significant appeal of our shopping centres amongst consumers.

While everyone was required to stay at home, online working and shopping grew substantially in the first half of 2020, however, when consumers were allowed to shop physically they did so in large numbers demonstrating how much real shopping with entertainment was missed. To capitalise on this sentiment Arricano has focused on promoting physical shopping through multiple new communication lines including offering new cultural and art exhibitions which blend the emotional appeal of art and fashion. These events have helped increase footfall and the duration of individual visits.

During 2020, Arricano Group signed 89 new lease agreements covering a total area of 8884 sq.m., representing 6 per cent of the operating estate. New tenants include New Yorker, Flo and Decathlon. We consistently focus on updating our tenant formats, expanding product categories and opening up new popular brands. We maintained our very low vacancy rate through adopting different and creative techniques to complete renewals and attract new retail operators.

In terms of the new developments, the Group is continuing to progress the Lukyanivka project, Kyiv. Construction is underway, however, the COVID-19 pandemic has slowed development and will result in some delays. Nevertheless our commitment to the project remains unchanged with expected opening in 2022.

## Outlook

I am extremely proud that we continued to develop our business despite the challenges brought by COVID-19. Despite being closed for nearly a one third of the year, we maintained 99% occupancy, attracted new international tenants, progressed the development of the Lukyanivka project and limited the impact on our profitability by making significant cost reductions across the business. While trading is still currently restricted, I am totally confident, that when allowed, our business will return to pre-COVID performance levels.

Ganna Chubotina

Chief Executive Officer

**21 April 2021**

Arricano Real Estate PLC

Consolidated financial statements as at and for the year ended 31 December 2020

Consolidated statement of financial position as at 31 December 2020

	Note	31 December <b>2020</b>	31 December 2019
(in thousands of USD)			
Assets			
Non-current assets			
Investment property	5	275,452	289,300
Long-term VAT receivable		4,130	1,571
Property and equipment		94	130
Intangible assets		126	193
Total non-current assets		279,802	291,194
Current assets			
Trade and other receivables	7	<b>1,673</b>	1,634
Loans receivable	6	-	-
Prepayments made and other assets		479	959
VAT receivable		576	1,909
Assets classified as held for sale	8	1,529	1,826

Income tax receivable		380	347
Cash and cash equivalents	9	12,062	6,905
Total current assets		16,699	13,580
Total assets		296,501	304,774
	Note	31 December	31 December
		<b>2020</b>	2019
(in thousands of USD)			
Equity and Liabilities			
Equity	10		
Share capital		67	67
Share premium		183,727	183,727
Non-reciprocal shareholders contribution		59,713	59,713
Retained earnings		67,142	46,962
Other reserves		(61,983)	(61,983)
Foreign currency translation differences		(129,272)	(100,581)
Total equity		119,394	127,905
Non-current liabilities			
Long-term borrowings	12	73,458	26,954
Long-term trade and other payables	13	15,330	14,105
Other long-term liabilities	15	31,462	143
Deferred tax liability	19	5,796	10,693
Total non-current liabilities		126,046	51,895
Current liabilities			
Short-term borrowings	12	32,360	75,445
Trade and other payables	13	3,712	6,460

Taxes payable other than income tax		5,015	3,789
Advances received	14	5,503	6,668
Other liabilities	15	4,471	32,612
Total current liabilities		51,061	124,974
Total liabilities		177,107	176,869
Total equity and liabilities		296,501	304,774

Arricano Real Estate PLC

Consolidated financial statements as at and for the year ended 31 December 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Note	<b>2020</b>	2019
(in thousands of USD, except for earnings per share)			
Revenue	16	32,303	37,252
Gain/(loss) on revaluation of investment property	5(a)	24,859	(12,177)
Goods, raw materials and services used		(1,005)	(1,196)
Operating expenses	17	(7,412)	(8,994)
Salary costs		(1,753)	(2,179)
Salary related charges		(335)	(375)
Depreciation and amortisation		(131)	(98)
Profit from operating activities		46,526	12,233
Finance income	18	143	8,943
Finance costs	18	(21,887)	(12,319)
Net finance costs		(21,744)	(3,376)
Profit before income tax		24,782	8,857
Income tax expense	19	<b>(4,602)</b>	(832)

<b>Net profit for the year</b>		<b>20,180</b>	8,025
Items that will be reclassified to profit or loss:			
Foreign exchange gains/ (losses) on monetary items that form part of net investment in the foreign operation, net of tax effect	20(f)(i)	<b>(49,834)</b>	46,014
Foreign currency translation differences on foreign operations	20(f)(i)	21,143	(20,166)
Total items that will be reclassified to profit or loss		<b>(28,691)</b>	25,848
Other comprehensive income (loss)		<b>(28,691)</b>	25,848
Total comprehensive income (loss) for the year		(8,511)	33,873
Weighted average number of shares (in shares)	11	103,270,637	103,270,637
Basic and diluted earnings per share, USD	11	<b>0.19541</b>	0.07771

Arricano Real Estate PLC

Consolidated financial statements as at and for the year ended 31 December 2020

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020	2019
(in thousands of USD)			
Cash flows from operating activities			
Profit before income tax		24,782	8,857
Adjustments for:			

Finance income, excluding foreign exchange gain	18	(143)	(470)
Finance costs, excluding foreign exchange loss	18	12,213	12,319
(Gain) / loss on revaluation of investment property	5(a)	(24,859)	12,177
Depreciation and amortisation		131	98
Unrealized foreign exchange loss / (gain)	18	9,674	(8,473)
Accrual of provisions		845	2,445
Operating cash flows before changes in working capital		22,643	26,953
Change in trade and other receivables		(108)	593
Change in prepayments made and other assets		569	(34)
Change in VAT receivable		17	(2,363)
Change in taxes payable		1,704	1,914
Change in trade and other payables		<b>(4,667)</b>	1,820
Change in advances received		62	170
Change in other liabilities		<b>(432)</b>	98
Income tax paid		(917)	(1,578)
Interest paid		(7,934)	(4,937)
Cash flows from operating activities		10,937	22,636
Cash flows from investing activities			
Acquisition of investment property and settlements of payables due to constructors		(7,749)	(20,174)
Acquisition of property and equipment		(85)	(159)
Interest received		143	470
Cash flows used in investing activities		(7,691)	(19,863)
	Note	2020	2019

(in thousands of USD)

Cash flows from financing activities			
Proceeds from borrowings	12	<b>18,232</b>	27,839
Repayment of borrowings	12	<b>(15,094)</b>	(28,245)
Cash flows from/(used in) financing activities		<b>3,138</b>	(406)
Net increase in cash and cash equivalents		6,384	2,367
Cash and cash equivalents at 1 January		6,905	4,224
Effect of movements in exchange rates on cash and cash equivalents		(1,227)	314
Cash and cash equivalents at 31 December	9	12,062	6,905

#### Non-cash movements

During the year ended 31 December 2020 and 31 December 2019, no non-cash movement took place.

The consolidated statements of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 62.

Arricano Real Estate PLC

Consolidated financial statements as at and for the year ended 31 December 2020

Consolidated statement of changes in equity as at and for the year ended 31 December 2020

	Attributable to equity holders of the parent			
	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings
(in thousands of USD)				
<b>Balances at 1 January 2019</b>	67	183,727	59,713	38,937

Total comprehensive income/(loss) for the year					
Net profit for the year	-	-	-	8,025	-
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (Note 20(f)(i))	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	8,025	-
<b>Balances at 31 December 2019</b>	<b>67</b>	<b>183,727</b>	<b>59,713</b>	<b>46,962</b>	<b>(6)</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 10 to 62.

	Attributable to equity holders of the parent				O
	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings	
(in thousands of USD)					
<b>Balances at 1 January 2020</b>	<b>67</b>	<b>183,727</b>	<b>59,713</b>	<b>46,962</b>	<b>(6)</b>
Total comprehensive income/(loss) for the year					
Net profit for the year	-	-	-	20,180	-
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (Note 20(f)(i))	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	-

Total comprehensive income for the year	-	-	-	20,180	-
<b>Balances at 31 December 2020</b>	<b>67</b>	<b>183,727</b>	<b>59,713</b>	<b>67,142</b>	<b>(6)</b>

## 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 Parent Company's registered address is office 1002, 10th floor, Nicolaou Pentadromos Centre, Thessalonikis Street, 3025 Limassol, Cyprus. Arricano and its subsidiaries are referred to as the Group, and their principal place of business is in Ukraine.

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 31 December 2020, the Group operated five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 147,900 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be developed.

The average number of employees employed by the Group during the year is 78 (2019: 94).

### (b) Ukrainian business environment

The Group's operations are primarily located in Ukraine. Consequently, the Group is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market.

The political and economic situation in Ukraine has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Ukraine. Additionally, an armed conflict in certain parts of Lugansk and Donetsk regions, which started in spring 2014, has not been resolved and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Various events in March 2014 led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. Consequently, operations in the country involve risks that do not typically exist in other markets.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the COVID-19. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Ukrainian hryvnia and Russian ruble. Responding to the potentially serious threat the COVID-19 presents to public health, Ukrainian government authorities have taken measures to contain the outbreak, introducing restrictions on the movement of people within Ukraine and the 'lock-down' of cities in regions likely to be affected by the outbreak, suspension of transport links with Ukraine and entry restrictions on visitors pending further developments. Some businesses have also instructed employees to remain at home and curtailed or temporarily suspended business operations.

The Ukrainian central and local governments, as part of their efforts to combat the COVID-19 pandemic, temporarily restricted customers access to Ukrainian retail shopping centres from 16 March 2020 until 10 May 2020. This decision has resulted in the temporary closure of four out of five of the Group's retail shopping centres: Prospekt (Kyiv), Rayon (Kyiv), City Mall (Zaporizhzhia) and Sun Gallery (Kryvyi Rig). Starting from 28 March 2020 until 17 May 2020 the fifth retail shopping center, South Gallery (Simferopol), was also temporarily closed. However, the hypermarkets, pharmacies and some other stores located within the centres continued to operate.

Subsequent to the reporting date, lockdown was introduced by the government in Ukraine for 2.5 weeks in January 2021 and then another lockdown was introduced in Kyiv from 20 March 2021 till 30 April 2021 and in Zaporozhya on 3 April 2021. As a result of the latest lockdown, apart from hypermarkets, pharmacies and some other essential stores, outlets in Arricano's Prospekt, Rayon and City Mall centres remain closed until further notice. Its other shopping centres, however, are trading normally.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances related to COVID-19 pandemic, a continuation of the current unstable business environment would negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

### **(c) Cyprus business environment**

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a "bail in".

The Cyprus Government successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used EUR 7,25 billion of the total EUR 10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country's economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect estimates of the Group's cash flows and its assessment of impairment of financial and non-financial assets.

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

### **(d) Russian business environment**

The Group's operations are also carried out in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to

varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine. The COVID-19 coronavirus pandemic has further increased uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

## **2 Basis of preparation**

### **o Statement of compliance**

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

### **(e) Basis of measurement**

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

### **(f) 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 either Ukraine or in the Russian Federation and have the Ukrainian Hryvnia (UAH) or 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 financial statements in USD, rounded to the nearest thousand.

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

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

Currency	<b>2020</b>	2019
UAH	28.27	23.68
RUB	<b>73.88</b>	61.91

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

Currency	<b>2020</b>	2019
UAH	<b>26.96</b>	25.85
RUB	71.94	64.74

As at the date these consolidated financial statements are authorised for issue, 21 April 2021, the exchange rate is UAH 28.01 to USD 1.00 and RUB 76.02 to USD 1.00.

#### **(g) Use of judgments, estimates and assumptions**

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

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

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

- Note 2(c) - determination of functional currency,
- Note 5 - valuation of investment property,

#### **(h) Going concern**

As at 31 December 2020, the Group's current liabilities exceeded its current assets by USD 34,362 thousand. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At the same time, the Group has positive equity of USD 119,394 thousand as at 31 December 2020, generated net profit of USD 20,180 thousand and positive cash flows from operating activities amounting to USD 10,937 thousand for the year then ended.

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

- Management makes all efforts to keep occupancy rates of its shopping centers on current level. Besides, the Group managed to gradually increase its rental rates during the year for existing tenants.
- The Group expects it will be able to draw on existing facilities granted from entities under common control, should this be required for operational and other needs of the Group.
- In accordance with the forecast for 2021 that is being revised on ongoing basis, taking into account already existing and potential future impact of COVID-19 on the Group's financial performance, the Group

plans to earn revenue that together with other measures undertaken by the Group's management, including negotiations with lenders, will give an ability to settle the Group's current liabilities in the normal course of business.

- In addition, the Group's management received a waiver from the bank lender for application of the condition based on which the lender can request repayment of the full amount of the loan during 3-month period (Note 12) and as result the loan part in amount of USD 13,168 thousand presented as at 31 December 2020 as short-term liabilities is expected to be repayable after 31 December 2021. The waiver is active for 12-months period after 31 December 2020.

Management believes that notwithstanding material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern in the foreseeable future exists, the measures that management undertakes, as described above, will allow the Group to maintain positive working capital, generate positive operating cash flows and continue business operations on going concern basis.

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

### **(i) 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 5 - investment property; and
- Note 20(f)(iii) - fair values.

### **3 Changes in accounting policies**

The Group has early adopted *COVID-19-Related Rent Concessions - Amendment to IFRS 16* issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee - i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The amendment had no significant impact on the financial statements.

### **4 Significant accounting policies and transition to new standards**

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

**(a) Basis of consolidation**

**(i) Business combinations**

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies

adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Consolidated entities as at 31 December are as follows:

Name	Country of incorporation	Cost		% of ownership	
		2020	2019	2020	2019
(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%
PrJSC Livoberezhzhiainvest	Ukraine	69	69	100.00%	100.00%
PrJSC Grandinvest	Ukraine	69	69	100.00%	100.00%
Arricano Property Management LLC	Ukraine	5	5	100.00%	100.00%
PrJSC Ukrpangroup	Ukraine	59	59	100.00%	100.00%
Prisma Alfa LLC	Ukraine	4	4	100.00%	100.00%
Arricano Development LLC	Ukraine	9	9	100.00%	100.00%
Prisma Development LLC	Ukraine	4	4	100.00%	100.00%
Arricano Real Estate LLC	Ukraine	-	-	100.00%	100.00%
Twible Holdings Limited	Cyprus	-	-	100.00%	100.00%
Gelida Holding Limited	Cyprus	-	-	100.00%	100.00%
Sapete Holdings Limited	Cyprus	-	-	100.00%	100.00%
Wayfield Limited	Cyprus	-	-	100.00%	100.00%
Comfort Market Luks LLC	Ukraine	40,666	40,666	100.00%	100.00%
Mezokred Holding LLC	Ukraine	8,109	8,109	100.00%	100.00%
Vektor Capital LLC	Ukraine	11,441	11,441	100.00%	100.00%

Budkhol LLC	Ukraine	31,300	31,300	100.00%	100.00%
Budkholinvest LLC	Ukraine	-	-	100.00%	100.00%
Green City LLC	Russian Federation	-	-	100.00%	100.00%
RRE Development Services OU	Estonia	-	-	100.00%	100.00%
Coppersnow Limited	British Virgin Islands	-	-	100.00%	100.00%

### **(iii) Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates is accounted for using the equity method and is recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The listing of associates as at 31 December is as follows:

Name	Country of incorporation	% of ownership	
		2020	2019
Filgate Credit Enterprises Limited	Cyprus	49.00%	49.00%

On 14 December 2016, the Parent Company acquired a non-controlling interest (49% of corporate rights) of Filgate Credit Enterprises Limited from Weather Empire, the company under common control incorporated in Cyprus, in exchange for loan receivable from Weather Empire Limited as an additional instrument in legal proceedings regarding gaining control over the Sky Mall. As part of the above acquisition, the rights to receive certain loans payable by Filgate Credit Enterprises Limited to entities under common control in amount of USD 215,891 thousand were reassigned to the Group for a nominal amount of USD 1. The fair value of these loans receivable is considered to be nil at the date of reassignment.

In addition, a call share option agreement was concluded granting an option to the Parent Company to purchase the remaining 51% of the corporate rights of Filgate Credit Enterprises Limited within 5 years

from the effective date. Exercise of the call option depends on certain criteria and occurrence of certain condition, and, as at the date of these consolidated financial statements are authorised for issuance, the call option had not been exercised by the Group. Thus, the rights under the call option agreement were not taken into consideration upon recognition of investment in Filgate Credit Enterprises Limited and determination of the investment's classification.

**(iv) Transactions with entities under common control**

Acquisitions from entities under common control

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

Disposals to entities under common control

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

**(v) Loss of control**

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

**(vi) Transactions eliminated on consolidation**

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

**(j) Foreign currency transactions and operations**

**(i) Foreign currency transactions**

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

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

Foreign currency differences are generally recognised in profit or loss.

Foreign currency transactions of Group entities located in Ukraine

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

**(ii) Foreign operations**

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

**(k) Financial instruments**

**(i) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### **(iii) Classification and subsequent measurement of financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

The Group's financial assets comprise trade and other receivables, loans receivable and cash and cash equivalents and are classified into the financial assets at amortised cost category.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents comprise cash balances on the current accounts and call deposits.

### **(iv) Financial assets - Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### **(v) Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### **(vi) Classification and subsequent measurement of financial liabilities**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss (except for the part of the fair value change that is due to changes in the Group's own credit risk, that is recognised in other comprehensive income). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group measures all of its financial liabilities at amortised cost.

#### **(vii) Modification of financial assets and financial liabilities**

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

#### Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the central bank key rate, if the loan contract entitles banks to do so and the Group has an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;

- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

#### **(viii) Offsetting**

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

#### **(I) Capital and reserves**

##### Share capital

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

##### Share premium

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

##### Non-reciprocal shareholders contribution

Non-reciprocal shareholders contribution reserve includes contributions made by the shareholders directly in the reserves. The shareholders do not have any rights to these contributions which are distributable at the discretion of the Board of Directors, subject to the shareholders' approval.

##### Retained earnings

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

##### Other reserves

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

##### Foreign currency translation differences

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

#### **(m) Investment properties**

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

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

**(i) Initial measurement and recognition**

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

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

**(ii) Subsequent measurement**

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

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

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

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

It is the Group's policy that an external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being appraised, values the portfolio as at each reporting date.

**(iii) Property under development (construction)**

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

**(n) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to

bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

**(ii) Reclassification to investment property**

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

**(iii) Subsequent costs**

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

**(iv) Depreciation**

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

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

- |                          |               |
|--------------------------|---------------|
| · vehicles and equipment | 5 years       |
| · fixture and fittings   | 2.5 - 5 years |

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

**(o) Intangible assets**

**(i) Recognition and measurement**

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

**(ii) Subsequent expenditure**

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

**(iii) Amortisation**

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

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

- software 3-5 years

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

#### **(p) Inventories**

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

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

#### **(q) Assets classified as held for sale**

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

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

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

#### **(r) Impairment**

##### **(i) Impairment - financial assets**

The Group uses 'expected credit loss' (ECL) model. This impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade and other receivables, cash and cash equivalents and loans receivable.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, for which loss allowances are measured as 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is

relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### Presentation of allowance for ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses on receivables and cash and cash equivalents are included in other expenses (and income from reversal of such expenses is included in other income) and are not shown separately in the statement of financial performance for reasons of materiality.

#### **(ii) Non-financial assets**

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

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

#### **(s) Provisions**

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

#### **(t) Revenue**

Revenue of the Group is mainly represented by rental income recognized in accordance with IFRS 16 *Leases*. For revenue from services in respect of exploitation of common parts and marketing services the Group has adopted IFRS 15 *Revenue from Contracts with Customers*. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

##### Common parts exploitation services

Common parts exploitation services represent reimbursement by tenants of expenses on maintenance of common parts in shopping centres (e.g. utilities, cleaning, insurance, repairs, parking).

Revenue is recognised over time as those services are provided. As the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services provided to date, the Group uses practical expedient available in IFRS 15 and recognises revenue in the amount to which the Group has a right to invoice. Invoices for revenue from common parts exploitation services are issued on a monthly basis and are usually payable within 5-15 days.

Under IFRS 15, the total consideration in the service contracts that are partially within the scope of this Standard and partially within the scope of IFRS 16 *Leases* is allocated to all services based on their stand-alone selling prices. The stand-alone selling price is determined based on contractually stated price that is defined separately for each obligation and reflects market prices for the similar services.

##### Marketing services

Revenue is recognised over time as those services are provided. As the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services provided to date, the Group uses practical expedient available in IFRS 15 and recognises revenue in the amount to which the Group has a right to invoice. Invoices for marketing services are issued on a monthly basis and are usually payable within 5-15 days.

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

**(i) Rental income from investment property**

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

**(u) Leases**

At inception of the contract, the Group assessed whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of the identified asset, the Group uses the definition of a lease in IFRS 16.

**(i) As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently accounted for in accordance with the accounting policy applicable to that asset:

- If accounted for as investment property, then measured at fair value following policy described in the Note 4(e).
- If accounted for as property and equipment, then depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In accordance with IFRS 16 variable payments which do not depend on index or rate, for example which do not reflect changes in market rental rates, should not be included in the measurement of lease liability. In respect of municipal or federal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group has determined that, under the current revision mechanism, the land lease payments cannot be considered as either variable that depend on index or rate or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

## **(ii) As a lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

## **(v) Finance income and costs**

Finance income comprises interest income on funds invested, foreign currency gains, income from derecognition of finance lease liabilities and gains on initial recognition of financial liabilities at fair value.

Finance costs comprise interest expense on borrowings and on deferred consideration, foreign exchange losses, costs from recognition of finance lease liabilities.

Interest income or expense is recognised using the effective interest method.

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

#### **(w) Income tax expense**

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

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

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

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

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

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The

Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

#### **(x) Earnings per share**

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

As at 31 December 2020 and 2019, there were no potential dilutive ordinary shares.

#### **(y) Segment reporting**

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

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

#### **(z) New standards and interpretations not yet adopted**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The Group has not started a formal assessment of potential impact on its consolidated financial statements resulting of the following amended standards and interpretations:

- *Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37).*
- *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*

## 5 Investment property

### (b) Movements in investment property

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

	Land held on freehold	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Total
(in thousands of USD)						
<b>At 1 January 2019</b>	6,300	46,985	193,790	24	11,438	258,537
Derecognition of right-of-use assets*	-	(7,277)	-	-	-	(7,277)
Additions	-	-	-	-	9,173	9,173
Disposals	-	-	-	(17)	-	(17)
Fair value gains\ (losses) on revaluation	(804)	(6,162)	(5,211)	-	-	(12,177)
Currency translation adjustment	804	6,504	30,971	1	2,781	41,061
<b>At 31 December 2019/ 1 January 2020</b>	6,300	40,050	219,550	8	<b>23,392</b>	<b>289,300</b>
Additions	-	-	127	251	10,078	10,456
Disposals	-	-	-	(3)	-	(3)
Fair value gain on revaluation	567	6,406	17,886	-	-	24,859
Currency translation adjustment	(1,067)	(6,756)	(37,062)	(123)	(4,152)	(49,160)
<b>At 31 December 2020</b>	5,800	39,700	200,501	133	29,318	275,452

\* Derecognition of right-of-use assets during 2019 is a result of IFRS 16 application starting from 1 January 2019.

Capitalised borrowing costs related to the construction of Lukianivka shopping and entertainment center to USD 1,731 thousand (2019: USD 776 thousand), with a capitalisation rate of 11.3% (2019: 10.5%).

As at 31 December 2020, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 160,500 thousand (2019: USD 171,150 thousand) (refer to Note 21 (a)).

During the year ended 31 December 2020, 95% of total construction services were purchased from one counterparty (2019: 93%).

#### **(aa) Determination of fair value**

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category. As at 31 December 2020, the fair value of investment property categorised within the Level 2 category is USD 29,400 thousand (2019: USD 29,600 thousand). To assist with the estimation of the fair value of the Group's investment property as at 31 December 2020, which is represented by the shopping centres and land, 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 Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, when appropriate, counter-notices, have been served validly and within the appropriate time.

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

As at 31 December 2020, the estimation of fair value was made using a net present value calculation based on certain assumptions, the most important of which were as follows:

- monthly weighted average rental rates per shopping centers excluding turnover income, ranging from USD 9 to USD 19 per sq.m., comprising minimum rental rate of USD 3 and maximum rental rate of 203 USD per sq.m., which were 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 98.1% to 100%, and capitalisation rates ranging from 12.5% to 16.5% p.a. which represented 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 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:

- 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 98.8% to 100.0%, and capitalisation rates ranging from 12.3% to 16.0% p.a. which represent key unobservable inputs for determination of fair value.
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

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

As at 31 December 2020, the fair value of investment property denominated in functional currency amounted to UAH 5,660,575 thousand and RUB 3,383,507 thousand (2019: UAH 5,002,525 thousand and RUB 3,386,242 thousand). The increase in fair value of investment property results from increased rental payments invoiced in Ukrainian hryvnia and Russian Rouble due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the rental contracts.

#### Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2020 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 2,206 thousand (2019: USD 2,366 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 2,206 thousand (2019: USD 2,366 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 15,294 thousand (2019: USD 16,759 thousand) lower. If the capitalisation rate is 1% less, then the fair value of investment properties would be USD 17,785 thousand (2019: USD 19,557 thousand) higher.
- If the occupancy rate is 1% higher than that used in the valuation model, the fair value of investment properties would be USD 1,997 thousand higher (2019: if the occupancy rate is 1% higher than that used in the valuation model for shopping center "Sun Gallery" and is assumed to be 100% for other shopping centers, the fair value of investment properties would be USD 283 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 1,998 thousand (2019: USD 2,106 thousand) lower.

## 6 Loans receivable

Loans receivable as at 31 December are as follows:

	2020	2019
(in thousands of USD)		
Short-term loans receivable due from related parties	8,489	8,499

Accrued interest receivable due from related parties	2,719	2,719
Impairment of loans receivable due from related parties	(11,208)	(11,218)
	-	-

Included in loans receivable as at 31 December 2020 is a loan due from Filgate Credit Enterprises Limited amounting to USD 11,109 thousand (2019: USD 11,109 thousand). This loan receivable was fully impaired as at 31 December 2020 and 2019.

## 7 Trade and other receivables

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

(in thousands of USD)	2020	2019
Trade receivables from related parties	1	18
Other receivables from related parties	8,160	8,160
Allowance for impairment	(8,158)	(8,158)
	3	20
Trade receivables from third parties	1,720	1,621
Other receivables from third parties	112	75
Allowance for impairment	(162)	(82)
	1,670	1,614
	1,673	1,634

As at 31 December 2020, included in other receivables from related parties are receivables from Dniprovskya Prystan PrJSC amounting to USD 7,796 thousand (2019: USD 7,796 thousand), which are overdue. In 2012, the court ruled to initiate bankruptcy proceedings against the mentioned related party and, on 20 May 2019, the decision which declare Dniprovskya Prystan PrJSC insolvent has been made. Full amount of receivable was impaired as at 31 December 2020 and 2019.

## 8 Assets classified as held for sale

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

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

	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Other assets	Total
(in thousands of USD)						
<b>At 1 January 2019</b>	-	-	-	-	1,562	1,562
Currency translation adjustment	-	-	-	-	264	264
<b>At 31 December 2019/ 1 January 2020</b>	-	-	-	-	1,826	1,826
Currency translation adjustment	-	-	-	-	(297)	(297)
<b>At 31 December 2020</b>	-	-	-	-	1,529	1,529

Included in other assets classified as held for sale as at 31 December 2020, is a land plot with a carrying amount of USD 1,529 thousand (2019: USD 1,826 thousand), land lease rights for which were intended to be amended by one of the Group's subsidiaries, Comfort Market Luks LLC, in respect of allocation of part of such land plot to a third party in accordance with an investment agreement concluded between the parties. Based on this investment agreement, Comfort Market Luks LLC acted as an intermediary in construction of a hypermarket with the total estimated area of 11,769 square meters and a parking lot with a total estimated area of 20,650 square meters.

As at 31 December 2020 and 2019, the construction of the hypermarket and a parking lot is finalised and, except for the lease rights for the abovementioned land plot to be allocated to a third party, the owner of the hypermarket, the investment agreement is considered to be fulfilled. Management expects that the lease rights for the land plot under the hypermarket will be transferred to the third party in 2021 subject to completion of formal legal procedures. As at 31 December 2020, advance payment received under this agreement amounts to USD 1,627 thousand (2019: USD 1,942 thousand) and will be settled upon transfer of the lease rights for the land plot.

## 9 Cash and cash equivalents

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

(in thousands of USD)	2020	2019
-----------------------	------	------

Bank balances	<b>12,062</b>	4,126
Call deposits	-	2,779
	12,062	6,905

As at 31 December 2020, in connection with loans and borrowings, the Group pledged as security bank balances with a carrying value of USD 212 thousand (2019: USD 1,135 thousand) (Note 21(a)). However, the use of this balance is not restricted.

As at 31 December 2020, cash and cash equivalents placed with two bank institutions amounted to USD 9,800 thousand, or 81% of the total balance of cash and cash equivalents (2019: USD 5,114 thousand, or 74%). In accordance with Moody's rating, one of these banks is rated Baa3 and another is B3 as at 31 December 2020 (2019: Caa1 and non-rated, respectively).

## 10 Share capital

Share capital as at 31 December is as follows:

	<b>2020</b>	<b>2020</b>	<b>2020</b>	2019	2019	2019
	Number of shares	US dollars	EUR	Number of shares	US dollars	EUR
Issued and fully paid						
At 1 January and 31 December	103,270,637	66,750	51,635	103,270,637	66,750	51,635
Authorised						
At 1 January and 31 December	106,000,000	68,564	53,000	106,000,000	68,564	53,000
Par value, EUR	-	-	0.0005	-	-	0.0005

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

During the years ended 31 December 2020 and 2019, the Parent Company did not declare any dividends.

## 11 Earnings per share

The calculation of basic earnings per share for the years ended 31 December 2020 and 2019 was based on the profit for the years ended 31 December 2020 and 2019 attributable to ordinary shareholders of USD 20,180 thousand and USD 8,025 thousand, respectively, and weighted average number of ordinary shares outstanding as at 31 December 2020 and 2019 of 103,270,637.

The Group has no potential dilutive ordinary shares.

## 12 Loans and borrowings

This Note provides information about the contractual terms of loans. For more information about the Group's exposure to interest rate and foreign currency risk, refer to Note 20.

	<b>2020</b>	2019
(in thousands of USD)		
Non-current		
Secured bank loans	27,293	26,768
Unsecured loans from related parties	21,420	-
Unsecured loans from third parties	24,745	186
	73,458	26,954
Current		
Secured bank loans (current portion of long-term bank loans)	19,631	16,626
Unsecured loans from related parties (including current portion of long-term loans from related parties)	11,630	35,161
Unsecured loans from third parties	1,099	23,658
	32,360	75,445
	105,818	102,399

### Terms and debt repayment schedule

As at 31 December 2020, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	USD	<b>7.50%-11.25%</b>	2023-2025	38,656
Secured bank loans	UAH	<b>13.25%</b>	2025	8,268

				46,924
Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.5%	<b>2021-2023</b>	32,788
Unsecured loans from related parties	USD	10.0%	on demand	212
Unsecured loans from related parties	UAH/USD	0-3.2%	<b>2019</b>	50
				33,050
Unsecured loans from third parties				
Unsecured loan from third party	USD	<b>10.50%</b>	2023	25,645
Unsecured loan from third party	USD	3.0%	2022	199
				25,844
				105,818

As at 31 December 2019, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	USD	10.50%-11.25%	2020-2024	31,589
Secured bank loans	UAH	18.00%-19.75%	2020-2023	11,805
				43,394

Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.0%-12.0%	2019-2020	35,102
Unsecured loans from related parties	UAH/USD	0-3.2%	2019	59
				35,161
Unsecured loans from third parties				
Unsecured loan from third party	USD	10.55%	2020	23,658
Unsecured loans from third parties	USD	3.2%	2022	186
				23,844
				102,399

For a description of assets pledged by the Group in connection with loans and borrowings refer to Note 21(a).

*(a) Joint Stock Company "Taskombank"*

During the year ended 31 December 2020, the Group signed a number of amendments to the loan agreement with carrying value as at 31 December 2020 equal to USD 10,883 thousand with Joint Stock Company "Taskombank" stipulating an decrease in the annual interest rate from 10.75% to 9.75% and changes to the repayment schedule of the loan principal.

During the year ended 31 December 2020, the Group signed amendment to the loan agreement with carrying value as at 31 December 2020 equal to USD 13,214 thousand with Joint Stock Company "Taskombank" stipulating changes to the repayment schedule of the loan principal. The loan is syndicated with PJSC "Universal Bank".

*(b) Joint Stock Company "State Savings Bank of Ukraine"*

During the year ended 31 December 2020, the Group received tranches on the existing loan facility with a bank in the amount of USD 9,000 thousand to finance the construction of the Lukianivka shopping and entertainment centre. The tranche facility expires on 25 July 2026 and bears interest per initial agreement of 7.50% per annum. During the year ended 31 December 2020, the Group signed a number of amendments to the loan agreement stipulating a decrease in the annual interest rate of the received tranche by 3.0%.

In accordance with the loan agreement, the lender may require early repayment of the loan facility amount. Respectively, the total loan amount of USD 14,578 thousand is presented within the current liabilities as at 31 December 2020.

*(c) Joint Stock Company "Raiffeisen Bank Aval"*

During the year ended 31 December 2020, the Group refinance existing loan facilities with a bank with a new loan agreement. The loan is payable on 31 December 2025 and bears interest of 13.25% per annum. The facility is secured with the same collateral as for the previous loans provided by the bank, no additional assets were pledged.

*(d) Unsecured loan from third party*

During the year ended 31 December 2020, the Group signed amendment to the loan agreement with a third party, with carrying value as at 31 December 2020 amounting to USD 25,645 thousand stipulating capitalization of accrued interest as at 1 August 2020, prolongation of maturity date till 1 August 2023 and decrease in the annual interest rate of the received facility from 10.55% to 10.5%.

*(e) Unsecured loan from related party*

During the year ended 31 December 2020, the Group signed amendments to two loans with Retail Real Estate OU, the parent company, with carrying values as at 31 December 2020 amounting to USD 3,128 thousand and USD 28,293 thousand stipulating capitalization of accrued interest as at 1 August 2020, prolongation of maturity date till 1 August 2021 and 1 August 2023 and capitalization or repayment of accrued interest annually, respectively, and decrease of interest rate from 12.0% to 10.5% for the loan amounting to USD 28,293 thousand.

Reconciliation of movements of liabilities to cash flows arising from financing activities

Movements of liabilities for the year ended 31 December 2020 are as follows:

	Loans and borrowings	Total
(in thousands of USD)		
<b>Balance at 1 January 2020</b>	102,399	102,399
Proceeds from borrowings	<b>18,232</b>	<b>18,232</b>
Repayment of borrowings	<b>(15,094)</b>	<b>(15,094)</b>
The effect of changes in foreign exchange rates	<b>(1,872)</b>	<b>(1,872)</b>
Interest expense	<b>10,098</b>	10,098

	Loans and borrowings	Total
Interest paid	(7,945)	(7,945)
<b>Balance at 31 December 2020</b>	<b>105,818</b>	<b>105,818</b>

Movements of liabilities for the year ended 31 December 2019 are as follows:

	Loans and borrowings	Finance lease liabilities	Total
(in thousands of USD)			
Balance at 1 January 2019	96,507	7,277	103,784
Proceeds from borrowings		27,839	27,839
Repayment of borrowings	(28,245)	-	(28,245)
The effect of changes in foreign exchange rates	2,401	-	2,401
Derecognition of financial lease liability (Note 4(m))	-	(7,277)	(7,277)
Additions to finance leases	-	-	-
Interest expense (Note 18)	8,834	-	8,834
Interest paid	(4,937)	-	(4,937)
Balance at 31 December 2019	102,399	-	102,399

### 13 Trade and other payables

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

(in thousands of USD)	2020	2019
Non-current liabilities		
Payables for construction works	15,330	14,105
	15,330	14,105
Current liabilities		
Payables for construction works	-	2,680
Trade and other payables to related parties	218	1,039
Trade and other payables to third parties	3,494	2,741
	3,712	6,460
	19,042	20,565

As at 31 December 2020, included in payables for construction works are accrued financial charges under construction agreement with third parties amounting to USD 15,323 thousand (31 December 2019: USD 14,096 thousand). In 2017-2018, the constructors claimed the Group to reimburse finance and foreign currency losses incurred by constructors due to untimely fulfillment of obligations by the Group companies under construction agreements, as well as fee for restructuring of accounts payable. As a result of negotiation accomplished on 12 July 2017, interest rate of 10.00% per annum was imposed on charges payable, they were converted to USD and maturity was postponed to 31 December 2025.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

### 14 Advances received

Advances from customers as at 31 December are as follows:

(in thousands of USD)	2020	2019
Advances received under investment agreement (refer to Note 8)	1,627	1,942
Advances from third parties	3,852	4,697
Advances from related parties	24	29

	5,503	6,668
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	5,503	6,668
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Advances from third parties are mainly represented by prepayments from tenants for the period from one to two months.

## 15 Other liabilities

Other liabilities as at 31 December are as follows:

(in thousands of USD)	2020	2019
Non-current		
Deferred consideration	31,305	-
Other long-term liabilities	157	143
	31,462	143
Current		
Deferred consideration	1,378	30,167
Tax provision	3,093	2,445
	4,471	32,612
	35,933	32,755

Deferred consideration is represented with amount payable to a third party that also granted the Group unsecured loans (Note 12(d)), in respect of the acquisition of Wayfield Limited and its subsidiary Budkhol LLC, and includes principal and accrued interest on deferred consideration in amount of USD 31,305 thousand and USD 1,378 thousand, respectively (2019: USD 20,000 thousand presented as current liability and USD 10,167 thousand presented as current liability, respectively).

During the year ended 31 December 2020, the Group signed amendment to the agreement stipulating prolongation of maturity date till 1 August 2023 and increase in the annual interest rate from 9.75% to 10.5% and capitalization or repayment of accrued interest annually.

## 16 Revenue

The revenue is represented as follows:

	2020	2019
(in thousands of USD)		
Rental income:		
Fixed lease payments	22,652	26,968
Variable lease payments	2,555	3,398
	<b>25,207</b>	<b>30,366</b>
Revenue from contract with customers:		
Common parts exploitation services	6,822	6,592
Marketing services	274	294
	7,096	6,886
	<b>32,303</b>	<b>37,252</b>

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 25,207 thousand for the year ended 31 December 2020 (2019: USD 30,366 thousand).

During the year ended 31 December 2020, 13% of the Group's rental income was earned from two tenants (8% and 5%, respectively) (2019: 8% and 4%, respectively).

The Group rents out premises in the shopping centres to tenants in accordance with lease agreements predominantly concluded for a period of up to 70 months, save for the hypermarkets and large network retails chains, which enter into long term lease agreements. In accordance with lease agreements, rental rates are usually established in USD and are settled in functional currency using the exchange rates as applicable. However, taking into account the current market conditions, the Group provides temporary discounts to some of its tenants, in arriving to the rent payment for the particular month.

Management believes that these measures will allow the Group to maintain occupancy rates in the shopping centres at a relatively high level during the current deteriorated period in Ukrainian business environment. Management continued to turn gradually the UAH based lease agreements into USD based lease agreements.

The Group's lease agreements with tenants usually include non-cancellation clause for the period from 2 to 70 months. The Group believes that execution of the option to prolong the lease period upon expiration of non-cancellable period on the terms different to those agreed during the non-cancellable period, is not substantiated. Accordingly, upon calculation of rental income for the period the Group does not take into

account rent payments, which are prescribed by the agreements upon expiration of the period during which the agreement cannot be cancelled.

All other types of services are derived from contracts with customers and fall within the scope of IFRS 15. There are no contract assets and contract liabilities that arise on the above stated service lines.

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

	<b>2020</b>	2019
(in thousands of USD)		
Land rent, land and other property taxes (Note 17)	1,359	1,219
Security services (Note 17)	698	663
Repair, maintenance and building services	528	604
Advertising (Note 17)	505	716
Communal public services	269	379
	<b>3,359</b>	<b>3,581</b>

No direct operating expenses arising from investment property that did not generate rental income during 2020 and 2019 occurred.

## **17 Operating expenses**

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

(in thousands of USD)	<b>2020</b>	2019
Management, consulting and legal services	2,615	2,189
Land rent, land and property taxes (Note 16)	1,359	1,219
Security services (Note 16)	698	663
Tax provision	648	2,445
Advertising (Note 16)	505	716
Office expenses and communication services	476	564
Administrative expenses	177	106
Independent auditors' remuneration	149	323
Tax services charged by independent auditors	62	25
Impairment loss on trade receivables and contract assets	22	-
Other assurance service charged by independent auditors	3	40

Other	698	704
	<b>7,412</b>	8,994

## 18 Finance income and finance costs

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

(in thousands of USD)	2020	2019
Foreign exchange gain	-	8,473
Interest income	143	470
Finance income	143	8,943
Interest expense	<b>(9,697)</b>	(10,229)
Interest expense on deferred consideration (note 15)	<b>(2,516)</b>	(1,950)
Foreign exchange loss	(9,674)	-
Other finance costs	-	(140)
Finance costs	(21,887)	(12,319)
Net finance cost	(21,744)	(3,376)

## 19 Income tax expense

### (b) Income tax expense

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

(in thousands of USD)	2020	2019
Current tax expense	<b>874</b>	1,373
Deferred tax (benefit)/expense	<b>3,728</b>	(541)
Total income tax expense	<b>4,602</b>	832

Corporate profit tax rate for the entities operating under the laws of Ukraine is fixed at 18%.

The applicable tax rate for the entities operating under the laws of the Russian Federation is 20%.

The applicable tax rates are 12.5% for Cyprus companies, 20% for Estonian companies, and nil tax for companies incorporated in the Isle of Man and British Virgin Islands.

**(bb) Reconciliation of effective tax rate**

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

	<b>2020</b>	%	2019	%
(in thousands of USD)				
Profit before tax	24,782	100%	8,857	100%
Income tax expense at statutory rate in Ukraine	4,461	18%	1,594	18%
Effect of different tax rates on taxable profit in other jurisdictions	(1,563)	(6%)	(2,531)	(29%)
Non-deductible expenses/non-taxable income	(2,400)	(10%)	7,787	88%
Change in unrecognised deferred tax assets	4,104	17%	(5,198)	(59%)
Change in recognised deductible temporary differences	-	-	(820)	(9%)
Effective income tax expense	4,602	19%	832	9%

**(cc) Recognised deferred tax assets and liabilities**

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

	Assets		Liabilities		Net	
	<b>2020</b>	2019	<b>2020</b>	2019	<b>2020</b>	2019
(in thousands of USD)						
Investment property	286	45	(31,987)	(32,490)	(31,701)	(32,445)
Property and equipment	3	-	-	(8)	3	(8)
Trade and other receivables	26	104	(12)	(142)	14	(38)

Assets classified as held for sale	-	-	(275)	(329)	(275)	(329)
Trade and other payables	12	-	(17)	-	(5)	-
Short-term borrowings	2	26	(2)	(23)	-	3
Other long-term payables	27	11	-	(132)	27	(121)
Tax loss carry-forwards	26,141	22,245	-	-	26,141	22,245
Deferred tax assets (liabilities)	26,497	22,431	(32,293)	(33,124)	(5,796)	(10,693)
Offset of deferred tax assets and liabilities	(26,497)	(22,431)	26,497	22,431	-	-
Net deferred tax liabilities	-	-	(5,796)	(10,693)	(5,796)	(10,693)

**(dd) Movements in recognised deferred tax assets and liabilities**

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2020 are as follows:

(in thousands of USD)	Balance as at					<b>Balance as at 31 December 2020</b> asset (liability)
	<b>1 January 2020</b> asset (liability)	Change in tax losses carried forward	Recognised losses in profit or loss	Recognised OCI	Foreign currency translation adjustment	
Investment property	(32,445)	-	<b>(4,738)</b>	-	5,842	(31,701)
Property and equipment	(8)	-	10	-	1	3
Trade and other receivables	(38)	-	48	-	4	14
Assets classified as held for sale	(329)	-	1	-	53	(275)

Trade and other payables	-	-	6	-	-	6
Short-term borrowings	3	-	(3)	-	-	-
Other long-term payables	(121)	-	135	-	13	27
Tax loss carry-forwards	22,245	-	813	6,784	(3,991)	26,141
Deferred tax assets (liabilities)	(10,693)	-	(3,728)	6,784	1,562	(5,796)

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2019 are as follows:

	Balance as at 1 January 2019	Change in tax losses carried forward	Recognised in profit or loss	Recognised in OCI	Foreign currency translation adjustment	Balance as at 31 December 2019
	asset (liability)					asset (liability)
(in thousands of USD)						
Investment property	(30,272)	-	2,446	-	(4,619)	(32,445)
Property and equipment	(5)	-	(2)	-	(1)	(8)
Trade and other receivables	61	-	(100)	-	1	(38)
Assets classified as held for sale	(281)	-	-	-	(48)	(329)
Trade and other payables	509	-	(545)	-	36	-
Short-term borrowings	8	-	(6)	-	1	3
Other long-term payables	7	-	(118)	-	(10)	(121)
Tax loss carry-forwards	23,056	820	(1,954)	(3,149)	3,472	22,245

Deferred tax assets (liabilities)	(6,917)	820	(279)	(3,149)	(1,168)	(10,693)
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#### Unrecognised deferred tax assets

Deferred tax assets as at 31 December 2020 have not been recognised in respect of the following items:

	<b>Balance as at 1 January 2020</b>	Change in tax-loss carry forwards	Utilisation of previously unrecognised temporary differences	Foreign currency translation adjustment	<b>Balance as at 31 December 2020</b>
(in thousands of USD)					
Tax loss carry- forwards	<b>8,925</b>	4,104	-	(1,665)	11,364
		-			
	<b>8,925</b>	4,104	-	(1,665)	11,364

Deferred tax assets as at 31 December 2019 have not been recognised in respect of the following items:

	Balance as at 1 January 2019	Change in tax loss carryforwards	Utilisation of previously unrecognised temporary differences	Foreign currency translation adjustment	Balance as at 31 December 2019
(in thousands of USD)					
Tax loss carry- forwards	11,850	1,645	(6,843)	2,273	8,925
	11,850	1,645	(6,843)	2,273	8,925

During the year ended 31 December 2019 certain Group entities submitted amended CPT declarations that led to increase in tax-loss carry forwards with tax effect of USD 2,465 thousand.

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

## **20 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 financial statements.

### **(ee) Risk management framework**

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

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

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

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

### **(ff) Credit risk**

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

#### **(ii) Trade and other receivables**

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customers, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk.

Management has established a policy under which each customer is analysed either individually or on collective basis regarding expected credit losses as at reporting date.

There are no balances with customers, which are to be assessed individually as at 31 December 2020 (2019: nil).

For other individually insignificant debtors the Group uses an allowance matrix to measure expected credit loss (ECL). Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll-rates are calculated based on the Group's historical losses.

The macro factors have insignificant impact on the historical loss rates due to short-term nature of the Group's receivables.

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

As at 31 December 2020, the following table provides information about the exposure to credit risk and ECLs for trade and other receivables:

(in thousands of US dollars)	Weighted- average loss rate	Gross carrying amounts	Loss allowance (Note 7)	Credit impaired
Current (not past due)	0%	<b>1,132</b>	-	NO
1-30 days due	0%	-	-	<b>NO</b>
31-60 days due	1%	<b>229</b>	-	<b>NO</b>
61-90 days due	0%	<b>10</b>	-	<b>NO</b>
More than 90 days past due	99%	<b>8,622</b>	<b>(8,320)</b>	<b>YES</b>
Total		<b>9,993</b>	<b>(8,320)</b>	

As at 31 December 2019, the following table provides information about the exposure to credit risk and ECLs for trade receivables:

(in thousands of US dollars)	Weighted- average loss rate	Gross carrying amounts	Loss allowance (Note 7)	Credit impaired
Current (not past due)	0%	1,613	-	NO
1-30 days due	0%	1	-	NO
31-60 days due	0%	6	-	NO
61-90 days due	0%	1	-	NO
More than 90 days past due	100%	8,253	(8,240)	YES
Total		9,874	(8,240)	

Allowance for impairment of financial assets is as follows:

	<b>2020</b>	2019
(in thousands of USD)		

Allowance for impairment of trade and other receivables (Note 7)	8,320	8,240
Allowance for impairment of loans receivable (Note 6)	11,208	11,218
Allowance for impairment of financial assets at FVOCI (Note 21(d))	20,727	20,727
	40,255	40,185

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

	2020	2019
(in thousands of USD)		
Balance at 1 January	40,185	39,896
Impairment loss recognised	-	268
Bad debt write-off/recovery	80	-
Foreign currency translation differences	(10)	21
Balance at 31 December	40,255	40,185

### **(iii) Cash and cash equivalents**

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures, due to which no impairment allowance has been recognised by the Group. The Group considers that its cash and cash equivalents have low credit risk based on its assessment of the reliability of the banks where cash and cash equivalents are held.

### **(gg) Capital management**

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

### **(i) Guarantees**

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

**(ii) 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, prepayments made and other assets amounting in total to USD 5,185 thousand as at 31 December 2020 (2019: USD 4,439 thousand).

**(hh) Liquidity risk**

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

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2020:

	Contractual cash flows						
	Carrying amount	Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
(in thousands of USD)							
Secured bank loans	46,924	55,868	2,091	21,260	8,856	23,661	-
Unsecured loans from related parties	33,050	<b>37,100</b>	294	<b>11,824</b>	2,249	22,733	-
Unsecured loans from third parties	25,844	<b>35,102</b>	-	<b>2,596</b>	2,577	<b>29,929</b>	-
Trade and other payables	<b>19,042</b>	25,269	3,719	-	-	-	21,550
Other liabilities	<b>35,933</b>	44,416	-	6,380	3,444	34,592	-
	160,801	<b>197,755</b>	6,104	<b>42,060</b>	<b>17,126</b>	<b>110,915</b>	21,550

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2019:

Contractual cash flows

	Carrying amount	Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
(in thousands of USD)							
Secured bank loans	43,394	54,898	5,827	14,861	7,754	26,456	-
Unsecured loans from related parties	35,161	36,126	7,998	28,128	-	-	-
Unsecured loans from third parties	23,844	23,986	23,743	-	-	243	-
Trade and other payables	20,565	27,999	6,449	-	-	-	21,550
Other liabilities	32,755	33,727	-	33,584	143	-	-
	155,719	176,736	44,017	76,573	7,897	26,699	21,550

## (ii) 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 operating under the laws of Ukraine

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

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

Exposure to currency risk

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

	2020		2019	
	USD	EUR	USD	EUR
(in thousands of USD)				
Cash and cash equivalents	3,879	-	-	2,454

Secured bank loans	(38,656)	-	(31,589)	-
Unsecured loans from related parties	(244)	-	(229)	-
Trade and other payables	-	(407)	-	(558)
<b>Net (short)/long position</b>	<b>(35,012)</b>	<b>(407)</b>	<b>(31,818)</b>	<b>1,896</b>

#### Sensitivity analysis

A 10 percent weakening of the Ukrainian hryvnia against the following currencies as at 31 December would have decreased net profit or loss and decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of USD)	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
USD	(2,872)	(2,872)	(2,609)	(2,609)
EUR	(33)	(33)	155	155

A 10 percent strengthening of the Ukrainian hryvnia against these currencies at 31 December would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Intra-group borrowings

The Group entities located in Ukraine are exposed to currency risk on intra-group borrowings, eliminated in these consolidated financial statements, that are denominated in a currency other than the Ukrainian hryvnia (UAH), primarily the 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 322,247 thousand and USD 317,002 thousand as at 31 December 2020 and 2019, respectively. The effect of translation of these loans payable by Ukrainian subsidiaries resulted in a foreign exchange loss of USD 49,834 thousand, including tax effect, recognised directly in other comprehensive income for the year ended 31 December 2020 (2019: foreign exchange gain of USD 46,014 thousand).

A 10 percent weakening of the Ukrainian hryvnia against the USD would have increase other comprehensive loss for the year ended 31 December 2020 and equity as at 31 December 2020 by USD 26,424 thousand (2019: USD 25,994 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 operating under the laws of the Russian Federation

The Group entities, located in the Republic of Crimea and the Russian Federation, are 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) and U.S. Dollar (USD).

## Exposure to currency risk

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

(in thousands of USD)	2020		2019	
	USD	UAH	USD	UAH
Trade and other payables	(15,323)	(410)	(14,096)	-
Net short position	(15,323)	(410)	(14,096)	-

## Sensitivity analysis

A 10 percent weakening of the Russian Rouble against the following currencies as at 31 December would have increased net profit or loss and increased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in thousands of USD)	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
UAH	(33)	(33)	-	-
USD	(1,226)	(1,226)	(1,128)	(1,128)

A 10 percent strengthening of the Russian Rouble against these currencies at 31 December would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

### **(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 favorable to the Group over the expected period until maturity.

Refer to Notes 12, 13 and 15 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.

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

	2020	2019
(in thousands of USD)		
Fixed rate instruments		
Loans and borrowings	105,818	102,399
Other liabilities	32,683	30,167
Payables for construction works	15,330	14,096
	153,831	146,662
Variable rate instruments		
Loans and borrowings	-	-
	-	-

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or fair value through other comprehensive income. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

#### **(iii) Fair values**

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

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

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

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:

	2020		2019	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
(in thousands of USD)				
Financial liabilities not measured at fair value				
Non -current				
Secured bank loans	27,293	30,804	26,768	29,120
Unsecured loans from related parties	21,420	20,049	-	-
Unsecured loans from third parties	24,745	24,791	186	199
Payables for construction works	15,330	18,082	14,105	15,404
Deferred consideration	31,305	31,376	-	-
Other long-term liabilities	157	157	-	-
	120,250	<b>125,259</b>	41,059	44,723
Current				
Secured bank loans (current portion of long-term bank loans)	19,631	<b>23,189</b>	16,626	17,073
Unsecured loans from related parties (including current portion of long-term loans from related parties)	11,630	11,108	35,161	35,369
Unsecured loans from third parties	1,099	1,141	23,658	23,658
Deferred consideration	1,369	1,381	30,167	30,395
	33,729	<b>36,819</b>	105,612	106,495

153,979	162,079	146,671	151,218
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Management believes that for all other financial assets and liabilities, not included in the table above, the carrying value approximates the fair value as at 31 December 2020 and 2019. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date. The estimated fair value is categorised within Level 2 of the fair value hierarchy.

## 21 Commitments and contingencies

### (a) Pledged assets

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

	2020	2019
(in thousands of USD)		
Investment property (Note 5(a))	160,500	171,150
Bank balances (Note 9)	212	1,135
	160,712	172,285

As at 31 December 2020 and 31 December 2019, the Group has also pledged the following:

- Rights on future income of Prisma Alfa LLC under all lease agreements for the period of validity of loan agreement between Prisma Alfa LLC with Raiffeisen Bank Aval.
- Investments in the following subsidiaries: PrJSC Ukrpangroup, Comfort Market Luks LLC and PrJSC Livoberezhzhiainvest.

### (jj) Construction commitments

The Group entered into contracts with third parties to construct two shopping centres in Kyiv and a shopping centre in Odesa for the amount of USD 53,255 thousand as at 31 December 2020 (2019: USD 61,549 thousand).

### (kk) Operating lease commitments

The Group as lessor

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

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2020	2019
(in thousands of USD)		
Less than one year	5,470	6,008
Between one and two years	1,759	1,730
Between two and three years	1,345	1,545
Between three and four years	862	1,107
Between four and five years	801	751
More than five years	509	1,348
	10,746	12,489

## **(II) Litigations**

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

### **(i) Legal case in respect of Assofit Holdings Limited**

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

In the seventh award delivered on 5 May 2016, the tribunal of the London Court of International Arbitration found that Stockman is in breach of the Call Option Agreement and has taken "steps deliberately to dissipate and misappropriate Assofit's assets". As a result, the tribunal has ordered Stockman to transfer, or procure the transfer of, the Option Shares to Arricano within 30 days of the award. Upon registration of the transfer, Arricano shall pay to Stockman the Option Price minus damages, which when netted out brings the balance to nil. In the event that Stockman does not transfer, or procure the transfer of the Option Shares, Arricano may elect instead to claim damages in lieu of the share transfer.

In its latest award, being the eighth award, made on 17 August 2016, the tribunal of the London Court of International Arbitration awarded the costs of approximately USD 0.9 million to be paid by Stockman to Arricano. No receivable was recognised in these consolidated financial statements, as recoverability of the related asset was not certain.

In July 2017, the hearing regarding challenges of the fifth, the sixth and the seventh award by Stockman took place. By judgement dated 30 November 2017, the High Court of England and Wales dismissed the claims filed by Stockman challenging the fourth, fifth and seventh awards, and subsequently, on 5 January 2018, dismissed Stockman's application to appeal such judgement.

As at the date that these consolidated financial statements are authorised for issuance, a number of related legal cases are under the consideration of the District Court of Nicosia.

In September 2014, Assofit Holdings Limited transferred the shares of Prisma Beta LLC to Financial and Investment Solutions BV, a company registered in the Netherlands, despite the fact that an Interim Receiver was appointed in Assofit at that period of time with the responsibility for collecting and safeguarding Assofit's assets. Further in September 2014, Joint-Stock Bank Pivdeniy PJSC, Ukraine, which had an outstanding mortgage loan due from Prisma Beta LLC of USD 32,000 thousand, exercised its right to recover the abovementioned loan by means of repossession of ownership rights to the Sky Mall shopping centre which was pledged to secure this loan in September 2014. As at the date that these consolidated financial statements are authorised for issuance, shares of Prisma Beta LLC and ownership rights for the Sky Mall shopping centre remain alienated.

As at 31 December 2020 and 2019, the Group holds 49.97% of nominal voting rights in Assofit without retaining significant influence. In prior years' consolidated financial statements of the Group until 31 December 2013, investment in Assofit was recognised in the statement of financial position as available for-sale financial asset at its carrying amount of USD 20,727 thousand. Due to loss of the legal control over the major operating asset being the Sky Mall shopping centre in September 2014, the investment in Assofit is fully impaired as at 31 December 2020 and 2019.

On 2 July 2018, the Group filed application for the rectification of the register of members of Assofit. By this petition, the Company is asking that the shares of Assofit that are currently registered in the name of Althor shall be registered to the name of Arricano Real Estate plc. By decision dated 30 November 2020, the court dismissed the Group's petition. The Group has already instructed its lawyers to file the appeal.

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

#### **(mm) 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

##### ***(ii) Republic of Crimea***

As a result of the events described in Note 1(b), Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Republic of Crimea. Starting from April 2014, this territory is subject to the transitional provisions of tax rules established by the Russian government to ensure gradual introduction of federal laws into the territory. Although these transitional provisions were thought to put certain relief on the entities registered in the Republic of Crimea, interpretations of these provisions by the tax authorities may be different from the tax payers' view. Effective from 1 January 2015, the Russian government declared that the territory of the Republic of Crimea is subject to general legislation of the Russian Federation.

##### ***(iii) 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 financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

#### **(iv) Republic of Cyprus**

Operations of the Group in Cyprus are mainly limited to provision of intra-group financing, transactions related to Assofit legal case (note 21 (d)(i)) 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.

**(b) Control relationships**

The Group's largest shareholders are Retail Real Estate OU, Dragon Capital Investments Limited, Deltamax Group OU, Rauno Teder and Jüri Pöld. The Group's ultimate controlling party is Estonian individual Rauno Teder.

During the year ended 31 December 2020, Hillar Teder transferred his equity interest in Retail Real Estate OU to Rauno Teder. As a result, Rauno Teder, who already had held 15.92% of the issued voting rights of the Parent Company (7.48% - directly and 8.34% through Deltamax Group OU), acquired interest of 55.04% in the Parent Company (through RRE), thus increasing his aggregate interest to 70.86% of the Parent Company.

**(nn) Transactions with management and close family members**

## Key management remuneration

Key management compensation included in the statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is represented by salary and bonuses of USD 493 thousand (2019: USD 854 thousand).

## Director's interests

The direct and indirect interest of the members of the Board in share capital of the Company as at 31 December 2020 and 31 December 2019 and as at the date of signing of these consolidated financial statements is as follows:

Name	Type of interest	Effective shareholding rate
Jüri Pöld	Direct shareholding	7.07%

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

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

	2020	2019
(in thousands of USD)		
Short-term loans receivable	11,208	11,218
Trade receivables	1	18
Other receivables	8,160	8,160
Provision for impairment of trade and other receivables and loans receivable from related parties	(19,366)	(19,376)
	3	20

Long-term loans and borrowings	21,420	-
Short-term loans and borrowings	11,630	35,161
Trade and other payables	218	1,039
Advances received	24	29
Other liabilities	-	30,167
	<b>33,292</b>	<b>66,396</b>

None of the balances are secured. The terms and conditions of significant transactions and balances with entities under common control are described in Notes 6, 7, 12, 13, 14 and 15.

During the year ended 31 December 2020, the Group signed amendments to two loan agreements with Retail Real Estate OU, the parent company, with carrying values as at 31 December 2020 amounting to USD 3,128 thousand and USD 28,293 thousand stipulating capitalization of accrued interest as at 1 August 2020, prolongation of maturity date till 1 August 2021 and 1 August 2023 and capitalization or repayment of accrued interest annually, respectively, and decrease of interest rate from 12.0% to 10.5% for the loan amounting to USD 28,293 thousand.

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

	2020	2019
(in thousands of USD)		
Interest expense	<b>(3,041)</b>	(4,757)

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

### **23 Subsequent events**

Subsequent to the reporting date, the Group received a new tranche of USD 3,192 thousand according to one of the open credit lines.

Subsequent to reporting date, on 26 March 2021 and on 15 April 2021, the Group signed amendments to the loan agreements with JSC Tascombank stipulating a decrease in the annual interest rates of the received facility by 1.75% and 3.25% respectively.

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