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Arricano Real Estate PLC
25 September 2015

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

Interim Results for the 6 months ended 30 June 2015

Arricano is one of the leading real estate developers and operators of shopping centres in Ukraine. Today, Arricano owns and operates five completed shopping centres comprising 144,050 sqm of gross leasable area, and land for a further three sites currently under development.

Highlights:

- Total revenues were USD9.7 million (30 June 2014: USD11.5 million), reflecting the continued challenging market conditions in Ukraine
- Operating profit was USD9.6 million (30 June 2014: USD50.1 million), both figures including revaluation gains
- Loss before tax was USD6.7 million (30 June 2014: USD15.2 million profit)
- Total fair valuation of the Company's portfolio was USD167.8 million as at 30 June 2015 (as at 31 December 2014: USD 205.6 million)
- Occupancy increased to 91.9% as at 30 June 2015, compared to 89.3% as at 31 December 2014
- Borrowings remain conservative at the property level with a loan to investment property ratio of 38.4% as at 30 June 2015 compared to 29.6% as at 31 December 2014
- Signed 75 new lease agreements during H1

Rupert Cottrell, Chairman of Arricano, commented: "We have adopted a conservative position in the light of the difficult economic and political conditions the Company is facing in Ukraine. Our focus is on working closely with our tenants, securing long-term cash flow whilst still progressing our existing development projects albeit over a slower timeframe, so that the Company is well positioned for when conditions in Ukraine improve."

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Chairman's Statement

Introduction

In the context of the market environment we currently operate in, recording rental income of USD9.7 million was a satisfactory result. So too, was increasing occupancy to 91.9% across the entire portfolio up from 89.3% at the outset of the financial year demonstrating the Company's ability to continue to attract new tenants and the overall relative stability of the tenant base.

This performance should be measured in the light of the fact that GDP in Ukraine contracted by 7.5% during the first six months of 2015 and the Ukrainian Hryvnia fell by 33% against the USD, demonstrating the resilience of the business in this challenging environment. These headwinds are unlikely to abate in the short term with the World Bank forecasting that the Hryvnia has further to fall this year. Nevertheless with the financial support of the Company's largest shareholders, Arricano remains in a stable financial position.

Today, Arricano has 144,050 sqm of completed assets spread across five shopping centres. In addition, the Company also owns title rights for 14 ha. of development land divided into three specific sites which are at varying stages of development.

Results

Managing our customer base, who are all on USD linked rents, when the Ukrainian Hryvnia has fallen so much against the dollar during the period has been challenging and we have worked hard to support those tenants who are seeking to maintain a long term relationship with the Group. Reflecting this environment, the Company recorded NOI of USD9.0 million 3.5% lower than the prior year.

Our loss before tax was USD6.7 million (30 June 2014: USD15.2 million profit) following an unrealised gain on revaluation of investment properties of USD3.8 million (30 June 2014: gain of USD44.7 million).

Underlying loss after tax for the six months to 30 June 2015 was USD8.7 million (30 June 2014: USD9.0 million profit) giving basic loss per share of USD0.08 (30 June 2014: USD0.09 earnings per share).

The portfolio of assets was externally and independently valued as at 30 June 2015 by Expandia LLC, part of the CBRE Affiliate Network. The portfolio was valued at USD167.8 million (31 December 2014: USD205.6 million), a further reduction in the value of the portfolio mainly driven by fall in the value of the Hryvnia and the lower income base of the portfolio.

The Company has continued to seek to manage costs across the business, most notably the Group has reduced operating expenses and employee costs.

Bank debt at the half-year end was USD64.4 million, with the majority of borrowings at the project level at an average rate of 8.8%. Loans mature between 2018 and 2020 and the Company's loan to investment property value ratio is comparatively low at 38.4% as at 30 June 2015. In addition, there was USD3.5 million of cash, cash equivalents, and restricted deposits, as at 30 June 2015.

People

I would like to take this opportunity to thank all employees of the Group for their commitment and continued loyalty to the business. We look forward to continuing to work closely together and as far as possible helping to protect each other during this difficult time. I am pleased to report that an Acting Chief Financial Officer Tetyana Kolesnyk is now the Company's Chief Financial Officer (non-Board position).

Operational Review

While from outside Ukraine it might appear to be difficult to operate normally given the continuing economic and political turmoil, the reality is that the people of Ukraine have adapted and we are able to operate to a 'near normal' standard. We continue to renew leases, let new space, open as normal and the number of visitors into our shopping centres has remained broadly constant.

We have been successful in maintaining visitor numbers in part through our focus on not simply being a traditional property company but instead looking for opportunities to focus on the consumers that ultimately drive the revenue of the Company's tenants and the Company itself. We view ourselves as an agile hospitality focused business creating environments which people want to visit not only to shop but to enjoy and relax. The balance between the number of retail and leisure tenants, the spacing and ambience are all key factors in increasing the appeal of our centres. More recently we have been hosting a series of events across our portfolio to add further reasons to visit.

For the 600+ tenants across our five shopping centres the main challenge to manage has been the fall in the value of the Ukrainian Hryvnia and the impact this has had on the economy and specifically consumer spending on imported goods most exposed to currency fluctuations.

During the period under review, the Company has signed 75 new rent agreements covering approximately 4000 sqm which has led to an increase in occupancy over the period. This was a good performance and demonstrates that we continue to operate broadly as normal. Since the half-year end, the Company has won two significant tenants who together have taken 3500 sqm which has increased occupancy to 94% across the portfolio.

The average rental rates achieved were USD14.5 per sqm, slightly below average rental rates as at 31 December 2014. Where a tenant is looking to secure a long term rental agreement from the Company but is under pressure currently from the economic situation, Arricano has offered discounted rents for limited periods. The management team are highly selective in choosing to offer a discount and will first conduct a detailed analysis of the potential tenant's business before doing so.

The Group's 49.97% shareholding in Sky Mall continues to be contested by the current operators. Sky Mall is one of the largest shopping centres in Kyiv and home to top-quality brands and anchored by the hypermarket Auchan, Comfy and stores of the Inditex Group. In April 2015, the London Court of International Arbitration tribunal confirmed its previous decision declaring that Arricano validly exercised the call option in 2010 whereby it sought to acquire the remaining shareholding of 50.03% of the holding company of the Sky Mall shopping centre in Kyiv. The price of the option exercise is USD51.4 million. The Group continues to pursue its interest in acquiring the remaining shareholding.

The three development sites covering 14 ha. in Lukianivka (Kyiv), Petrivka (Kyiv), and Rozumovska (Odesa) continue to be progressed albeit over a longer timeframe than originally envisaged.

Outlook

Our long term strategy, to use the cash generative completed portfolio to support the addition of further lettable space and the development of new shopping centres and entertainment complexes, remains unchanged. We continue to believe in the fundamental attractiveness of the Ukrainian market, as the last sizeable real estate market in Europe that is still severely underdeveloped in terms of retail space.

Hopefully the current conflict can be overcome and the country can return to stability. There are some signs of improvement but it is too early still to make predictions.

In the meantime, the Group is focused on safeguarding its existing portfolio whilst also continuing to progress its future projects. With the support of our major shareholder, the Company remains well placed to trade through the current challenges and emerge in the future as the leading owner and developer of shopping centres in the Ukraine.

Rupert Cottrell

Chairman

23 September 2015

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE MEMBERS OF

Arricano Real Estate PLC

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Arricano Real Estate PLC and its subsidiaries ("the Group") as at 30 June 2015, the consolidated condensed statements of profit and loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ("the consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial statements in accordance with IAS34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Emphasis of matter

We draw attention to the following:

1 Notes 5, 7 and 21 (d) (ii) to the consolidated interim condensed financial statements, which describe that, as at 30 June 2015, the Group was involved as a defendant in a lawsuit in respect of nullifying lease rights of the subsidiary for the land plot with a carrying amount of USD 5,097 thousand and nullifying the state authority's permits for the construction on the land. The ultimate outcome of the matter cannot be currently determined.

2 To note 1(b) to the consolidated interim condensed financial statements, which refers to the Ukrainian business environment, describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 in Ukraine as well as the risks that this operating environment creates for the Group. The events referred to in note 1(b) have adversely affected the Group and could continue to adversely affect the Group's results and financial position in a manner not currently determinable.

Our opinion is not qualified in respect of the matters disclosed above.

Michalis A. Loizides, FCA

Certified Public Accountant and Registered Auditor

for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

11, June 16th 1943 Street

3022 Limassol

Cyprus

23 September 2015

Consolidated interim condensed financial statements as at and for the six months ended 30 June 2015

	Note	**30 June 2015 (unaudited)**	31 December 2014
(in thousands of USD)			
Assets			
Non-current assets			
Investment property	5	**167,797**	205,552
Long-term loans receivable	6	**1,598**	1,562
Long-term VAT recoverable		**4,297**	6,575
Property and equipment		**286**	433
Intangible assets		**21**	33
Restricted deposits	9	**238**	897
Total non-current assets		**174,237**	215,052
Current assets			
Inventories		**2**	3
Trade and other receivables	*8*	**978**	1,331
Loans receivable	6	**8,747**	8,790
Prepayments made and other assets		**460**	576
VAT recoverable		**1,373**	2,273
Assets classified as held for sale	*7*	**2,219**	9,702
Restricted deposits	9	**1,200**	1,385
Cash and cash equivalents	9	**2,081**	832
Total current assets		**17,060**	24,892
Total assets		**191,297**	239,944

The consolidated condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements

Consolidated condensed statement of financial position as at 30 June 2015

(in thousands of USD)	Note	30 June 2015 (unaudited)	31 December 2014
Equity and Liabilities			
Equity	10		
Share capital		**67**	67
Share premium		**183,727**	183,727
Additional paid-in capital		**59,713**	59,713
Accumulated deficit		**(36,787)**	(28,087)
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(120,322)**	(91,783)
Total equity		**24,415**	61,654
Non-current liabilities			
Long-term loans and borrowings	11	**58,253**	52,734
Advances received	14	**752**	1,158
Finance lease liability		**6,395**	8,128
Trade and other payables	13	**4,287**	5,558
Other long-term liabilities		**106**	141
Deferred tax liability		**2,009**	1,471
Total non-current liabilities		**71,802**	69,190
Current liabilities			
Short-term loans and borrowings	11	**46,061**	44,222
Trade and other payables	13	**22,032**	37,221
Tax payables		**426**	163
Advances received	14	**4,997**	6,153
Current portion of finance lease liability		**2**	2
Other liabilities	12	**21,379**	20,412
Liabilities classified as held for sale		**183**	927
Total current liabilities		**95,080**	109,100
Total liabilities		**166,882**	178,290
Total equity and liabilities		**191,297**	239,944

Consolidated condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2015

(in thousands of USD, except for earnings per share)	Note	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Revenue	15	**9,677**	11,472
Other income		**111**	153
Gain on revaluation of investment property	5,7	**3,789**	44,670
Goods, raw materials and services used	16	**(325)**	(355)
Operating expenses	17	**(2,776)**	(4,014)
Employee costs		**(830)**	(1,788)
Depreciation and amortisation		**(57)**	(88)
Profit from operating activities		**9,589**	50,050

Finance income	18	**465**	770
Finance costs	18	**(16,772)**	(35,611)
(Loss) profit before income tax		**(6,718)**	15,209
Income tax expense	19	**(1,982)**	(6,186)
Net (loss) profit for the period		**(8,700)**	9,023
Items that will be reclassified to profit or loss:			
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect		**(47,294)**	(83,295)
Foreign currency translation differences		**18,755**	29,533
Total items that will be reclassified to profit or loss		**(28,539)**	(53,762)
Other comprehensive loss		**(28,539)**	(53,762)
Total comprehensive loss for the period		**(37,239)**	(44,739)
Weighted average number of shares (in shares)	10	**103,270,637**	103,270,637
Basic and diluted (loss) earnings per share, USD		**(0.08)**	0.09

Consolidated condensed statement of cash flows for the six months ended 30 June 2015

(in thousands of USD)	*Note*	**Six months ended 30 June 2015 (unaudited)**	Six months ended 30 June 2014 (unaudited)
Cash flows from operating activities			
(Loss) profit before income tax		**(6,718)**	15,209
Adjustments for:			
Finance income	18	**(465)**	(770)
Finance costs, excluding foreign exchange loss	18	**6,617**	7,047
Gain on revaluation of investment property	5,7	**(3,789)**	(44,670)
Depreciation and amortisation		**57**	88
Unrealised foreign exchange loss		**9,825**	28,870
VAT recoverable written-off	17	**426**	-
Allowance for bad debt impairment	17	**155**	452
Operating cash flows before changes in working capital		**6,108**	6,226
Change in inventories		**1**	(71)
Change in trade and other receivables		**574**	(405)
Change in prepayments made and other assets		**(30)**	76
Change in trade and other payables		**(1,012)**	(1,053)
Change in advances received		**173**	(388)
Change in other liabilities		**(1)**	28

Change in tax payables	**143**	30
Change in VAT recoverable	**660**	2,572
Income tax paid	**(243)**	-
Interest paid	**(2,992)**	(7,474)
Cash flows from (used in) operating activities	**3,381**	(459)
Cash flows from investing activities		
Acquisition of investment property, excluding capitalized borrowing costs, and settlements of payables due to constructors	**(9,319)**	(419)
Acquisition of property and equipment	**(121)**	(89)
Prepayments made and other assets	**-**	(8,434)
Advances received	**-**	8,505
Loans granted	**-**	(70)
Loans repaid	**9**	66
Change in VAT recoverable	**(39)**	(237)
Placement of the restricted deposit	**(1,467)**	(1,241)
Repayment of the restricted deposit	**2,228**	-
Interest received	**215**	56
Cash flows used in investing activities	**(8,494)**	(1,863)

(in thousands of USD)	**Six months ended 30 June 2015 (unaudited)**	Six months ended 30 June 2014 (unaudited)
Cash flows from financing activities		
Proceeds from borrowings, net of transaction costs	**20,430**	13,156
Repayment of borrowings	**(15,049)**	(19,920)
Finance lease payments	**(268)**	(581)
Cash flows from (used in) financing activities	**5,113**	(7,345)
Net decrease in cash and cash equivalents	**-**	(9,667)
Cash and cash equivalents at 1 January	**832**	11,840
Effect of movements in exchange rates on cash and cash equivalents	**1,249**	(559)
Cash and cash equivalents at 30 June	**2,081**	1,614

Non-cash movements

During the six months ended 30 June 2015, there was no acquisition of investment property financed through finance leases (2014: USD 2,061 thousand).

Consolidated condensed statement of changes in equity as at and for the six months ended 30 June 2015

Attributable to equity holders of the parent						
Share capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Foreign currency translation differences	Total

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

	Attributable to equity holders of the parent						
(in thousands of USD)	Share capital	Share premium	Additional paid-in capital	Accumulated deficit	Other reserves	Foreign currency translation differences	Total
Balances at 1 January 2015	67	183,727	59,713	(28,087)	(61,983)	(91,783)	61,654
Comprehensive income/(loss) for the period							
Net loss for the period (unaudited)	-	-	-	(8,700)	-	-	(8,700)
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)	-	-	-	-	-	(47,294)	(47,294)
Foreign currency translation differences (unaudited)						18,755	18,755
Total comprehensive loss for the period (unaudited)	-	-	-	(8,700)	-	(28,539)	(37,239)
Balances at 30 June 2015 (unaudited)	67	183,727	59,713	(36,787)	(61,983)	(120,322)	24,415

Notes to the consolidated interim condensed financial statements

1. Background

A. Organization and operations

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

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 30 June 2015, the Group operates five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 144,050 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be consequently developed.

Consolidated entities are as follows:

Name	Country of incorporation	Cost		% of ownership	
		30 June 2015 (unaudited)	31 December 2014	**30 June 2015 (unaudited)**	31 December 2014
(in thousands of USD, except for % of ownership)					
Praxifin Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
U.A.Terra Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Museo Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
Sunloop Co Limited	Cyprus	**3**	3	**100.00%**	100.00%
Lacecap Limited	Isle of Man	**3**	3	**100.00%**	100.00%
Beta Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Voyazh-Krym LLC	Ukraine	**363**	363	**100.00%**	100.00%
Livoberezhzhiainvest PrJSC	Ukraine	**69**	69	**100.00%**	100.00%
Grandinvest PrJSC	Ukraine	**69**	69	**100.00%**	100.00%
Arricano Property Management LLC	Ukraine	**5**	5	**100.00%**	100.00%
UkrPanGroup PrJSC	Ukraine	**59**	59	**100.00%**	100.00%
Prizma Alfa LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Development LLC	Ukraine	**9**	9	**100.00%**	100.00%
Prizma Development LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Real Estate LLC	Ukraine	**-**	-	**100.00%**	100.00%
Twible Holdings Limited	Cyprus	**-**	-	**100.00%**	100.00%
Gelida Holding Limited	Cyprus	**-**	-	**100.00%**	100.00%
Sapete Holding Limited	Cyprus	**-**	-	**100.00%**	100.00%
Wayfield Limited	Cyprus	**-**	-	**100.00%**	100.00%
Comfort Market Luks LLC	Ukraine	**40,666**	40,666	**100.00%**	100.00%
Mezokred Holding LLC	Ukraine	**8,109**	8,109	**100.00%**	100.00%
Vektor Capital LLC	Ukraine	**11,441**	11,441	**100.00%**	100.00%
Budkhol LLC	Ukraine	**31,300**	31,300	**100.00%**	100.00%
Budkholinvest LLC	Ukraine	**-**	-	**100.00%**	100.00%
Crimsonville Investments Limited	Cyprus	**-**	-	**100.00%**	100.00%

On 24 July 2014, the Group established Crimsonville Investments Limited, a new subsidiary of U.A. Terra Property Management Limited with incorporation in Cyprus. This subsidiary was established for the purpose of facilitating operations, management and maintenance of the investment property located in the Republic of Crimea. As at 30 June 2015, this subsidiary is still dormant and has no assets or liabilities, due to sanctions imposed by the United States of America and the EU on individuals and businesses from Russia and Ukraine. As at 30 June 2015, the charter capital of Crimsonville Investments Limited amounting to USD 1,347 was unpaid. On 28 April 2015, the Group approved to liquidate Crimsonville Investments Limited. As at 30 June 2015, this subsidiary is not yet liquidated.

(a) Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings.

In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. These measures led to stabilization of the national currency and are expected to be gradually removed by the National Bank of Ukraine provided positive signs of economy recovery are observed. Further, in August 2015 Ukraine has reached an agreement with the creditors' committee on restructuring of debt and partial debt remission. This agreement is currently being formalized. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which is not recognised by Ukraine and the international community. This event resulted in a significant deterioration of the relationships between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in Donetsk and Lugansk regions escalated into military clashes and armed conflict between armed supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces. As at the date these consolidated interim condensed financial statements were authorised for issue, the instability and unrest continue, and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics. As a result, Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

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

As at 30 June 2015, the carrying value of the Group's investment property located in Simferopol, the administrative centre of the Republic of Crimea, amounted to USD 28,100 thousand (unaudited). The ultimate effect of recent developments in the Republic of Crimea on the Group's ability to continue operations in this region, to realise its related assets and to maintain and secure its ownership rights cannot yet be determined.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances (see note 2(c)), a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable and may potentially create doubts on the ability of the Group entities to continue as going concerns as the ability to do so is entirely dependent on the Ukrainian market. These consolidated interim condensed financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2014. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

The results for the six months period ended 30 June 2015 are not necessarily indicative of the results expected for the full year.

(b) Judgments and estimates

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

In preparing these consolidated interim condensed financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

(c) Liquidity management

The Group incurred a net loss of USD 8,700 thousand (unaudited) for the six months ended 30 June 2015 and, as at that date, its current liabilities exceed current assets by USD 78,020 thousand (unaudited). The Group has positive equity of USD 24,415 thousand (unaudited) as at 30 June 2015 and has generated positive cash flows from operating activities for the six months then ended amounted to USD 3,381 thousand (unaudited), which together with net financing facilities of USD 5,113 allowed it to meet its net investment funding requirements for the six month period then ended which amounted to USD 8,494.

Management is undertaking the following measures in order to ensure that the Group remains able to fund its continued operations on a going concern basis:

- The Group has financial support from the ultimate controlling party. Based on representations received in writing from entities under common control, management believes that the Group will not be required to settle the outstanding loans and other payables to related parties in the amount of USD 56,189 thousand plus any accruing interest thereon at least until 30 June 2016.

- The Group 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 July 2015, the Group signed a new loan agreement with PJSC "Raiffeisen Bank Aval" for the total amount of UAH 255,053 thousand (equivalent of USD 11,826 thousand as at the date of the agreement) in order to refinance the existing loan due to PJSC "Raiffeisen Bank Aval" denominated in USD (refer to note 23). Based on the terms of the new loan agreement, the current portion of the long-term loan payable has decreased by USD 924 thousand.

- As at 30 June 2015, the undrawn credit facilities under the loan with the EBRD equal to USD 6,000 thousand. Management believes that it will be able to obtain these facilities, if required.

- The management has taken steps to restructure the organization of the group in order to increase the operating efficiency and reduce the costs of the Group.

- During the period from July to September 2015 management was able to conclude a number of new tenancy agreements of empty property.

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

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

(d) Functional and presentation currency

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

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

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

- Historical rates: for the equity accounts except for net profit or loss and other comprehensive income (loss) for the year.

- Year-end rate: for all assets and liabilities.

- Rates at the dates of the transactions: for the statement of profit or loss and other comprehensive income and for capital transactions.

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

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

Currency	**30 June 2015**	31 December 2014
UAH	**21.02**	15.77
RUB	**55.52**	56.26

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

Currency	**2015**	2014
UAH	**21.27**	11.87
RUB	**57.71**	38.60

As at the date that these consolidated interim condensed financial statements are authorised for issue by management, 23 September 2015, the exchange rate is UAH 21.74 to USD 1.00 and RUB 66.18 to USD 1.00.

(e) Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 5(b) "Investment property".

(f) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Management believes that during the six months ended 30 June 2015 and the year ended 31 December 2014, the Group operated in and was managed as one operating segment, being property investment, with all 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 IFRS as adopted by the EU and which present aggregated performance of all the Group's investment properties.

(g) Corresponding figures

Certain changes to comparative information in notes were made in these consolidated interim condensed financial statements to conform to the current period presentation.

3 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

(a) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the six months period ended 30 June 2015, and have not been applied in preparing these consolidated interim condensed financial statements. Management plans to adopt these pronouncements when they become effective, and has not yet analysed the likely impact of these new standards on its consolidated financial statements.

4 Changes in presentation of related party disclosures

At the end of the year ended 31 December 2014, the Group management became aware that one of the Group's counterparties which has been providing and continues to provide major construction services to the Group, and which was considered by management to be a related party up to and including six months ended 30 June 2014 due to its relationship with the ultimate controlling party of the Company, was disposed in 2011 out of control of the ultimate controlling party to an entity in which a close family member of one of the Company's non-controlling shareholders has significant interest. As at the date of this disposal, the Company no longer has a reportable related party relationship with the said counterparty. Consequently, for the six months ended 30 June 2014, the transactions with this counterparty are not presented as related party relationships and corresponding changes to comparative information were made in these consolidated interim condensed financial statements to conform to the current period presentation.

5 Investment property

(a) Movements in investment property

Movements in investment properties for the six months ended 30 June 2015 are as follows:

(in thousands of USD)	Land held on freehold	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Total
At 1 January 2015	**6,900**	**47,272**	**138,254**	**55**	**13,071**	**205,552**
Additions (unaudited)	**-**	**-**	**-**	**19**	**176**	**195**
Transfers (unaudited)	**-**	**-**	**-**	**(36)**	**36**	**-**
Fair value (loss)/ gain on revaluation (unaudited)	**(405)**	**6,763**	**(2,569)**	**-**	**-**	**3,789**
Currency translation adjustment (unaudited)	**(295)**	**(11,780)**	**(31,441)**	**(18)**	**(3,255)**	**(46,789)**
Transfer from assets held for sale (unaudited)*	**-**	**4,499**	**-**	**8**	**543**	**5,050**
At 30 June 2015 (unaudited)	**6,200**	**46,754**	**104,244**	**28**	**10,571**	**167,797**

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

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

*As at 30 June 2015, included into land held on leasehold is the land plot, including the finance lease asset, owned by Mezokred Holding LLC. As at 31 December 2014, this land plot was presented within assets classified as held for sale (refer to note 7). As at 30 June 2015, the Group is involved as a defendant in a lawsuit alleging invalidation of a resolution of the Kyiv City Council, according to which the latter has approved an allocation of this land plot for construction of the hypermarket to Mezokred Holding LLC and entitled Mezokred Holding LLC to lease this land plot for a period of 25 years (refer to note 21(d)(ii)).

** As at 30 June 2014, the Group had not obtained the title documents for the shopping centre "Prospekt" in Kyiv with a total gross leasable area (GLA) of nearly 30,250 square meters and a carrying value of USD 42,400 thousand (unaudited). In September 2014, this shopping centre started its operations. On 5 March 2015, the Group obtained title documents for the shopping center "Prospect".

During the six months ended 30 June 2015, there was no acquisition of a land plot held on leasehold financed through finance lease (unaudited) (six months ended 30 June 2014: USD 2,061 thousand) (unaudited).

During the six months ended 30 June 2015, there were no capitalised borrowing costs related to the construction of any shopping centre (unaudited) (six months ended 30 June 2014: capitalised borrowing costs related to the construction of the new shopping centre "Prospekt" amounted to USD 476 thousand with a capitalisation rate of 11.5%).

As at 30 June 2015, in connection with loans and borrowings, the Group has pledged as security investment property with a carrying value of USD 97,361 thousand (unaudited) (31 December 2014: USD 143,878 thousand) (refer to note 21(a)).

During the six months ended 30 June 2015, 12% of total construction services were purchased from one company (six months ended 30 June 2014: 82% of total construction services).

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category. As at 30 June 2015, the fair value of investment property categorized within Level 2 category is USD 28,800 thousand (unaudited) (31 December 2014: USD 25,800 thousand). To assist with the estimation of the fair value of the Group's investment property as at 30 June 2015, which is represented by the shopping centres, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

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

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

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

As at 30 June 2015, the estimation of fair value is made using a net present value calculation based on certain assumptions, the most important of which are as follows:

- monthly rental rates, ranging from USD 3.00 to USD 51.00 per sq.m., which are based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 76.00% to 100.00%, and discount rates ranging from 17.00% to 19.00% p.a., which represent key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

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

- monthly rental rates, ranging from USD 3.00 to USD 35.00 per sq.m., which are based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian Hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 71% to 99% and discount rates ranging from 12.50% to 19.00% p.a., which represent key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

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

As at 30 June 2015, fair value of investment property denominated in functional currency amounted to UAH 3,000,562 thousand (unaudited) and RUB 1,075,253 thousand (unaudited) (31 December 2014: UAH 2,950,175 thousand and RUB 1,035,233 thousand). The increase in fair value of investment property results from increased rental rates 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 contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 30 June 2015 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 1,221 thousand (unaudited) (31 December 2014: USD 1,603 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 1,221 thousand (unaudited) (31 December 2014: USD 1,603 thousand) higher.
- If the discount rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 7,828 thousand (unaudited) (31 December 2014: USD 10,362 thousand) lower. If the discount rate is 1% less, then the fair value of investment properties would be USD 8,986 thousand (unaudited) (31 December 2014: USD 11,908 thousand) higher.
- If the occupancy rates are 1% higher than those used in the valuation models or are assumed to be 100% for shopping centers in Zaporizhzhya, Kyiv and for the first stage of the shopping center in Simferopol, the fair value of investment properties would be USD 671 thousand (unaudited) (31 December 2014: USD 1,351 thousand) higher. If the occupancy rates are 1% less, then the fair value of investment properties would be USD 1,157 thousand (unaudited) (31 December 2014: USD 1,430 thousand) lower.

6 Loans receivable

Loans receivable are as follows:

	30 June 2015 (unaudited)	31 December 2014
(in thousands of USD)		
Non-current assets		
Long-term loans receivable due from third parties	**1,340**	1,340
Accrued interest receivable due from third parties	**258**	222
Long-term loans receivable due from related parties	**30,000**	30,000
Accrued interest receivable due from related parties	**9,761**	9,761
Impairment of loans receivable due from related parties	**(39,761)**	(39,761)
	1,598	1,562
Current assets		
Short-term loans receivable due from related parties	**308**	401
Short-term loans receivable due from third parties	**7,445**	7,576
Accrued interest receivable due from third parties	**1,246**	1,149
Impairment of loans receivable due from related parties	**(252)**	(336)
	8,747	8,790

Loans receivable from third parties

As at 30 June 2015 and 31 December 2014, the long-term loans receivable from third parties have maturity date on 31 December 2018, are unsecured and bear a 3.2% interest rate per annum that is fully capitalised and to be repaid together with the principal.

As at 30 June 2015, short-term loans receivable due from third parties in the amount of USD 8,295 thousand (unaudited) (31 December 2014: USD 8,199 thousand) are represented by a loan, which bears a 3.2% interest rate per annum and is overdue. Management of the Group believes that it will be able to recover this loan receivable due from the third party due to the existence of sufficient assets of a short-term nature at the borrower and, accordingly, this loan receivable is not considered to be impaired. Should actual collections prove to be less than management estimates, the Group will be required to record additional impairment expense in the next reporting period. The Group management exercises significant judgment in presentation of this loan due within current assets.

Loans receivable from related parties

In July 2011 the Parent Company granted a loan to Weather Empire Limited with the purpose of buying 1,077 shares in the Parent Company's share capital from Retail Real Estate S.A. As at 30 June 2015 and 31 December 2014, the resulting loan receivable of USD 39,761 thousand (unaudited), including accrued interest of USD 9,761 thousand (unaudited) is unsecured, bears a 3% fixed interest rate that is fully capitalised and repayable together with the principal and is overdue.

In July 2013 the shares of Weather Empire Limited were transferred to the Parent Company's major shareholders pro-rata to their ownership rights due to non-exercising of its conversion rights by ELQ Investors II Ltd and later on or about 12 August 2013 were transferred in full to Retail Real Estate S.A.

As at 30 June 2015 and 31 December 2014, this loan is overdue and management considers this to be irrecoverable. In this respect management has proceeded with the full impairment of that loan receivable of USD 39,761 thousand, including accrued interest of USD 9,761 thousand, as at 30 June 2015 and 31 December 2014.

Included in short-term loans receivable as at 31 December 2014 is also a loan due from PrJSC Dniprovska Prystan, a subsidiary of Assofit Holdings Limited, amounting to USD 252 thousand (31 December 2014: USD 336 thousand) which is overdue. Full amount of this loan receivable was impaired as at 30 June 2015 and 31 December 2014.

As at 30 June 2015, the remaining short-term loans receivable granted to related parties and third parties of USD 452 thousand are due within one year, unsecured and interest-free (31 December 2014: USD 591 thousand).

7 Assets classified as held for sale

Movements in assets classified as held for sale for the six months ended 30 June 2015 are as follows:

(in thousands of USD)	**Land held on leasehold**	**Buildings**	**Prepayment for investment property**	**Property under construction**	**Other assets**	**Total**
At 1 January 2015	**5,996**	**215**	**24**	**654**	**2,813**	**9,702**
Additions (unaudited)	**-**	**-**	**5**	**18**	**25**	**48**
Transfers (unaudited)	**-**	**-**	**(16)**	**34**	**(18)**	**-**
Currency translation adjustment (unaudited)	**(1,497)**	**(54)**	**(5)**	**(163)**	**(682)**	**(2,401)**
Transfer to investment property (unaudited)	**(4,499)**	**-**	**(8)**	**(543)**	**-**	**(5,050)**
Transfer to VAT recoverable (unaudited)	**-**	**-**	**-**	**-**	**(80)**	**(80)**
At 30 June 2015 (unaudited)	**-**	**161**	**-**	**-**	**2,058**	**2,219**

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

(in thousands of USD)	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Other assets	Total
At 1 January 2014	-	423	-	-	5,410	5,833
Transfer from investment property (unaudited)	5,596	-	63	855	-	6,514
Transfer from VAT recoverable (unaudited)	-	-	-	-	83	83
Fair value gain on revaluation (unaudited)	1,930	-	-	-	-	1,930
Currency translation adjustment (unaudited)	(103)	(136)	(8)	(99)	(1,757)	(2,103)
At 30 June 2014 (unaudited)	7,423	287	55	756	3,736	12,257

On 3 April 2014, the Board of Directors of the Company committed to a plan to sell Gelida Holding Limited and its subsidiary Mezokred Holding LLC to the ultimate controlling party of the Group. Accordingly, the assets and liabilities of the abovementioned subsidiaries were classified as held for sale as at 31 December 2014. As at 31 December 2014 assets of these subsidiaries were represented by investment property, which is a land plot, including the finance lease asset, measured at fair value of USD 5,996 thousand, prepayments for investment property in the amount of USD 24 thousand, property under construction in the amount of USD 654 thousand and other assets in the amount of USD 71 thousand.

During the six months ended 30 June 2015, the Group terminated held-for-sale classification of assets and liabilities of Gelida Holding Limited and its subsidiary Mezokred Holding LLC due to change in expected pattern of realization of these assets. As at 30 June 2015, the assets and liabilities of the above subsidiaries were reclassified as follows (unaudited):

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

Included in other assets classified as held for sale as at 30 June 2015, is a land plot with a carrying amount of USD 2,058 thousand (unaudited) (31 December 2014: USD 2,742 thousand), which was intended to be transferred by one of the Group's subsidiaries, Comfort Market Luks LLC, to a third party in accordance with an investment agreement concluded between the parties. Based on this investment agreement, Comfort

Market Luks LLC acts as an intermediary in construction of a hypermarket with the total estimated area of 11,769 square meters and a parking lot with a total estimated area of 20,650 square meters. As at 30 June 2015 and 31 December 2014, the construction of the hypermarket and a parking lot is finalised and, except for the abovementioned land plot to be transferred, the investment agreement is considered to be fulfilled. Management expects that the land plot will be transferred to the third party in 2015 subject to completion of formal legal procedures. As at 30 June 2015, advance payment received under this agreement (refer to note 14) amounts to USD 2,189 thousand (unaudited) (31 December 2014: USD 2,917 thousand) and will be settled upon transfer of the land plot.

8 Trade and other receivables

Trade and other receivables are as follows:

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Trade receivables from related parties	**1,798**	5,394
Other receivables from related parties	**9,196**	9,391
Allowance for impairment	**(10,617)**	(14,409)
	377	376
Trade receivables from third parties	**632**	982
Other receivables from third parties	**70**	100
Allowance for impairment	**(101)**	(127)
	601	955
	978	1,331

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

As at 30 June 2015, included in other receivables from related parties are receivables from Dniprovska Prystan PrJSC amounting to USD 8,833 thousand (unaudited) (31 December 2014: USD 9,029 thousand), which are overdue. In 2012 the court ruled to initiate bankruptcy proceedings against the mentioned related party and, as at 30 June 2015 the decision which would declare Dniprovska Prystan PrJSC insolvent has not yet been made. Full amount of this receivable was impaired as at 30 June 2015 and as at 31 December 2014.

9 Cash and cash equivalents

Cash and cash equivalents are as follows:

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Bank balances	**1,565**	510
Call deposits	**516**	193
Cash in transit	**-**	129
	2,081	832

Excluded from cash and cash equivalents as at 30 June 2015 are restricted deposits amounting to USD 1,200 thousand and USD 238 thousand with maturity in 2015 and 2020, respectively (unaudited) (31 December 2014: USD 1,385 thousand and USD 897 thousand, respectively). These deposits serve as pledge under three different loan facilities (refer note 21(a)).

As at 30 June 2015, cash and cash equivalents placed with two bank institutions amounted to USD 1,452 thousand, or 70% of the total balance of cash and cash equivalents (unaudited) (31 December 2014: USD 612 thousand, or 74%). In accordance with Moody's rating, these banks are rated as Caa2 and A2 as at 30 June 2015 and 31 December 2014, respectively.

10 Equity

Share capital is as follows:

2015	**2015**	**2015**	2014	2014	2014
	US dollars	**EUR**	Number of shares	US dollars	EUR

Issued and fully paid ordinary shares	Number of shares					
At 1 January and 30 June (unaudited)	**103,270,637**	**66,750**	**51,635**	103,270,637	66,750	51,635
Authorised						
At 1 January and 30 June (unaudited)	**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 Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

During the six months ended 30 June 2015 and 30 June 2014 the Parent Company did not declare any dividends.

Foreign currency translation differences

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

Other reserves

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

(Loss) / earnings per share

The calculation of basic earnings per share for the six months period ended 30 June 2015 was based on the loss for the period ended 30 June 2015 attributable to ordinary shareholders of USD 8,700 thousand (unaudited) (2014: profit in the amount of USD 9,023 thousand (unaudited)) and a weighted average number of ordinary shares outstanding of 103,270,637 (2014: 103,270,637) .

The Group has no potential dilutive ordinary shares.

11 Loans and borrowings

This note provides information about the contractual terms of loans.

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Non-current		
Secured bank loans	**53,843**	50,073
Unsecured loans from related parties	**4,410**	2,661
	58,253	52,734
Current		
Secured bank loans (current portion of secured long-term bank loans)	**10,600**	10,808
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**35,256**	33,203
Unsecured loans from third parties	**205**	211
	46,061	44,222
	104,314	96,956

Terms and debt repayment schedule

As at 30 June 2015, the terms and debt repayment schedule of bank loans are as follows (unaudited):

(in thousands of USD)	**Currency**	**Nominal interest rate**	**Contractual year of maturity**	**Carrying value**
Secured bank loans				
Bank "St. Petersburg"	**USD**	**10.50%**	**2015-2020**	**20,053**

EBRD	**USD**	**3M LIBOR + 6.50%**	**2015-2018**	**13,790**
EBRD	**USD**	**1M LIBOR+ 7.50%**	**2015-2020**	**18,762**
PJSC "Raiffeisen Bank Aval	**USD**	**10.75%**	**2015-2020**	**11,838**
				64,443
Unsecured loans from related parties				
International Baltic Investments	**USD**	**10.55%**	**2017**	**16,378**
Bytenem Co Limited	**USD**	**12.00%**	**2016**	**18,432**
Retail Real Estate OU	**USD**	**10.50%**	**2019**	**4,410**
Loans from other related parties	**UAH/USD**	**0.00%-10.00%**	**2015**	**446**
				39,666
Unsecured loans from third parties				
Other	**UAH/USD**	**0.00%-3.20%**	**2013-2015**	**205**
				205
				104,314

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

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

LIBOR for USD is as follows:

	30 June 2015	31 December 2014
LIBOR USD 3M	**0.28%**	0.26%
LIBOR USD 1M	**0.19%**	0.17%

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

EBRD

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

In December 2014, the Group concluded a new loan agreement with the EBRD for the facility of USD 25,000 thousand to refinance an existing loan due to Oshchadbank and to repay amounts due to constructors. The new loan agreement concluded with the EBRD bears interest rate of 1M LIBOR+7.5% and matures on 20 December 2020. In March 2015, the Group obtained the first tranche of USD 10,000 thousand. In April 2015, the Group obtained the second tranche of USD 9,000 thousand.

International Baltic Investments and Bytenem Co Limited

In May 2014, the Group signed a loan agreement with Bytenem Co Limited for a total amount of USD 13,051 thousand. The loan bears an annual interest rate of 12% and matures in March 2015. In July 2014, the Group signed an amended loan agreement with Bytenem Co Limited and the amount of the loan facility was increased up to USD 16,051 thousand. In March 2015, the Group signed an amended loan agreement with Bytenem Co Limited stipulating a prolongation of the maturity date until March 2016.

During the year ended 31 December 2014, the Group repaid USD 13,500 thousand of loan principal to International Baltic Investments, using the funds of USD 10,043 thousand obtained from Bytenem Co Limited and own funds of USD 3,457 thousand. During the year ended 31 December 2014, the Group signed an amended loan agreement with International Baltic Investments, stipulating an increase in the interest rate to 10.55% per annum, a prolongation of the final repayment date until 13 August 2017 and a decrease of the principal amount to USD 15,300 thousand. Despite the fact that the final repayment date was prolonged, the loan remains payable on demand in accordance with the contractual terms of the loan agreement.

OJSC "Bank "St. Petersburg"

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

During the six months ended 30 June 2015, the Company signed an amendment to the loan agreement with OJSC "Bank "St.Petersburg" stipulating a decrease in the amount of loan principal payable in 2015 by USD 2,397 thousand, a decrease in the amount of the deposit pledged as a collateral from USD 1,385 thousand to USD 1,200 thousand and an obligation to replace the existing pledge of investment property with a carrying amount of USD 26,900 thousand as at 30 June 2015 by other investment properties acceptable to OJSC "Bank "St.Petersburg" until 31 December 2015.

PJSC "Raiffeisen Bank Aval"

In June 2013, the Group concluded a loan agreement with PJSC "Raiffeisen Bank Aval" for an irrevocable credit line with a limit of USD 15,000 thousand to refinance existing borrowings. The credit line bears 10.75% interest rate per annum and matures in July 2020. The loan was provided to Prizma Alfa LLC, the entity owning shopping centre "City Mall". In July 2015, the Group signed a new loan agreement with PJSC "Raiffeisen Bank Aval" for the total amount of UAH 255,053 thousand (equivalent of USD 11,826 thousand as at the date of the agreement) in order to refinance the existing loan due to PJSC "Raiffeisen Bank Aval" denominated in USD (refer to note 23).

PJSC "State Savings Bank of Ukraine"

In October 2013, the Group concluded a loan agreement with PJSC "State Savings Bank of Ukraine" (Oshchadbank) for an irrevocable credit line with a limit of USD 30,000 thousand to finance construction of the shopping centre "Prospect" that is developed by the Group's subsidiary LLC Comfort Market Luks. The credit line bears 11.5% interest rate p.a. and matures in September 2020. As at 31 December 2014, the undrawn credit facilities from Oshchadbank amount to USD 20,000 thousand. In March 2015, the Group settled the outstanding amount of loan payable to Oshchadbank using the funds received from the EBRD. The related loan agreement with Oshchadbank was terminated.

Retail Real Estate OU

In September 2014, the Group concluded a loan agreement with a related party for an irrevocable credit line with a limit of USD 10,000 thousand to finance working capital replenishment. The loan bears 10.5% interest rate per annum and matures in September 2019. As at 30 June 2015, the undrawn credit facilities from this related party amount to USD 5,590 thousand (unaudited) (31 December 2014: USD 7,339 thousand).

12 Other liabilities

As at 30 June 2015, other liabilities are represented by deferred consideration of USD 21,379 thousand (unaudited) (31 December 2014: USD 20,412 thousand), including accrued interest of USD 1,379 thousand (unaudited) (31 December 2014: USD 412 thousand), that is payable in respect of the acquisition of Wayfield Limited and its subsidiary Budkhol LLC, and other long-term liabilities amounting to USD 106 thousand (unaudited) (31 December 2014: USD 141 thousand). In May 2014, the Group signed the amendment to the share exchange agreement in order to postpone the repayment of USD 10,000 thousand from 30 April 2014 to 30 April 2015. In March 2015, the Group signed an amendment to the share exchange agreement in order to postpone the payment of USD 20,000 thousand from 30 April 2015 to 30 April 2016. Deferred consideration is presented in accordance with its contractual maturity as at 30 June 2015 and 31 December 2014.

13 Trade and other payables

Trade and other payables are as follows:

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Non-current liabilities		
	4,279	5,549

Payables for construction works		
Trade and other payables to third parties	**8**	9
	4,287	5,558
Current liabilities		
Payables for construction works	**17,290**	32,881
Trade and other payables to related parties	**1,620**	1,420
Trade and other payables to third parties	**3,122**	2,920
	22,032	37,221

In view of the anticipated signing of a subordination deed with the EBRD, on 31 December 2014 the Group agreed postponement of the settlement of payables due to the company providing major construction services to the Group. As a result, as at 31 December 2014, settlement of UAH 103.246 thousand payables (equivalent of USD 6,547 thousand as at the date of signing of a subordination deed) for construction works has been prolonged until 20 December 2020. As at 30 June 2015 and 31 December 2014, these payables are presented within non-current liabilities and are measured at amortised cost under the effective interest rate of 18.92% per annum.

Also, included in payables for construction works as at 30 June 2015 are EUR denominated payables under a commission agreement concluded with a third party for the total amount of USD 3,351 thousand (unaudited) (31 December 2014: USD 4,142 thousand) with maturity on 15 September 2019. As at 30 June 2015 and 31 December 2014, these payables relate to construction works performed at shopping centre "Prospect", are presented in accordance with their contractual maturity and measured at amortised cost under the effective interest rate of 6.01% per annum.

14 Advances received

Advances received are as follows:

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Non-current		
Advances from third parties	**752**	1,158
	752	1,158
Current		
Advances received under investment agreement (refer to note 7)	**2,189**	2,917
Advances from third parties	**2,775**	3,192
Advances from related parties	**33**	44
	4,997	6,153
	5,749	7,311

In September 2009, the Group received a prepayment from an anchor tenant for the period of ten years. As at 30 June 2015, the non-current portion of this prepayment amounts to USD 752 thousand (unaudited) and the current portion amounts to USD 234 thousand (unaudited) (31 December 2014: USD 1,158 thousand and USD 312 thousand, respectively). Remaining advances from customers are mainly represented by prepayments from tenants for two months of rental payments.

15 Revenue

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

(in thousands of USD)	**2015 (unaudited)**	2014 (unaudited)
Rental income from investment properties	**9,596**	11,057
Other sales revenue	**81**	415
	9,677	11,472

For the six months ended 30 June 2015, 19% of the Group's rental income was earned from two tenants (13% and 6%, respectively) (2014: 13% and 9%, respectively).
In accordance with the terms of the contracts with tenants, rental rates are ordinarily fixed in USD and invoices are issued in UAH using the exchange rates established by the National Bank of Ukraine effective at the date of invoice.

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

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

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

	2015 (unaudited)	2014 (unaudited)
(in thousands of USD)		
Advertising (note 17)	**230**	376
Repair, maintenance and building services (note 16)	**147**	164
Security services (note 17)	**139**	213
Communal public services (note 16)	**115**	129
Land rent, land and property taxes (note 17)	**94**	25
	725	907

No direct operating expenses arising from investment property that did not generate rental income during the six months ended 30 June 2015 and 2014 occurred.

16 Goods, raw materials and services used

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

	2015 (unaudited)	2014 (unaudited)
(in thousands of USD)		
Repair, maintenance and building services	**147**	164
Communal public services	**115**	129
Other costs	**63**	62
	325	355

17 Operating expenses

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

	2015 (unaudited)	2014 (unaudited)
(in thousands of USD)		
Management, consulting and legal services	**1,214**	1,991
VAT recoverable written-off	**426**	-
Advertising	**230**	376
Allowance for bad debt impairment	**155**	452
Security services	**139**	213
Office expenses and communication services	**103**	186
Land rent, land and property taxes	**94**	25
Administrative expenses	**67**	79
Other	**348**	692
	2,776	4,014

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

18 Finance income and finance costs

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

	2015 (unaudited)	2014 (unaudited)
(in thousands of USD)		
Interest income	**251**	714
Other finance income	**214**	56
Finance income	**465**	770

Foreign exchange loss	**(10,155)**	(28,564)
Interest expense	**(4,857)**	(5,462)
Interest expense on deferred consideration (refer to note 12)	**(967)**	(1,004)
Other finance costs	**(793)**	(581)
Finance costs	**(16,772)**	(35,611)
Net finance costs	**(16,307)**	(34,841)

19 Income tax expense

(a) Income tax expense

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

(in thousands of USD)	**2015 (unaudited)**	2014 (unaudited)
Current tax expense	**356**	-
Deferred tax expense	**1,626**	6,186
Total income tax expense	**1,982**	6,186

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

While computing the deferred tax liability that arises on the temporary differences between carrying amounts and tax values of assets and liabilities of Voyazh-Krym LLC, registered in the Republic of Crimea, as at 30 June 2015 and 31 December 2014, management of the Group reflected the tax consequences that are applicable under the legislation of the Russian Federation that is being applied for all companies operating in the Republic of Crimea. In absence of clear regulations that will be applicable to the Republic of Crimea, management expects that reversal of temporary differences will be done under the Laws of the Russian Federation. The applicable tax rate for the entities operating under the laws of the Russian Federation is 20%.

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

(b) Reconciliation of effective tax rate

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

(in thousands of USD)	**2015 (unaudited)**	**%**	2014 (unaudited)	%
Profit (loss) before tax	**(6,718)**	**100%**	15,209	100%
Income tax expense (benefit) at statutory rate	**(1,209)**	**18%**	2,738	18%
Effect of lower tax rates on taxable income in foreign jurisdictions	**(853)**	**13%**	(929)	(6%)
Non-deductible expenses	**1,761**	**(26%)**	657	4%
Change in unrecognised deferred tax assets	**5,308**	**(79%)**	111	1%
Effect of change in the estimated timing of reversal of temporary differences	**-**	**0%**	773	5%
Foreign currency translation difference	**(3,025)**	**45%**	2,836	19%
Effective income tax expense	**1,982**	**(30%)**	6,186	41%

In accordance with existing Ukrainian legislation tax losses can be carried forward and utilised indefinitely. As at 30 June 2015, management has not recognised deferred tax assets amounting to USD 24,199 thousand (unaudited) (31 December 2014: USD 18,536 thousand) in respect of tax losses carried forward because of significant uncertainties regarding their realisation.

During the six months ended 30 June 2015, deferred tax benefit for the amount of USD 1,054 thousand was recognised in other comprehensive income (unaudited) (six months ended 30 June 2014: USD 7,388 thousand (unaudited)).

20 Financial risk management

During the six months ended 30 June 2015, the Group had no significant changes in financial risk management policies as compared to 31 December 2014.

21 Commitments and contingencies

(a) Pledged assets

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

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Investment property (note 5 (a))	**97,361**	143,878
Restricted deposits (note 9)	**1,438**	2,282
	98,799	146,160

As at 30 June 2015 and 31 December 2014, the Group has also pledged the following:

- Future rights on income of Prizma Alfa LLC under all lease agreements in force.
- Investments in the following subsidiaries: Grandinvest PrJSC, UkrPanGroup PrJSC, Livoberezhzhiainvest PrJSC and Twible Holdings Limited.
- Property rights under the Investment agreement between Livoberezhzhianvest PrJSC, Grandinvest PrJSC and Voyazh Krym LLC.

(b) Construction commitments

The Group entered into contracts with third parties to construct a shopping centre in Kyiv and a shopping centre in Odesa for the amount of USD 27,545 thousand as at 30 June 2015 (unaudited) (31 December 2014: USD 36,503 thousand).

(c) Operating leases commitments

The Group as lessor

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

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

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Less than one year	**4,953**	5,228
Between one and five years	**4,406**	4,415
More than five years	**1,029**	1,392
	10,388	11,035

(d) Litigation

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

(i) Legal case in respect of Assofit Holdings Limited

As at 30 June 2015 and 31 December 2014, the Group is involved in an arbitration dispute with Stockman Interhold S.A. (Stockman), who was the majority shareholder of Assofit Holdings Limited (Assofit), regarding invalidation of the Call Option Agreement dated 25 February 2010. In accordance with this Call Option Agreement, Arricano was granted the option to acquire the shareholding of Stockman being equal to 50.03 per cent in the share capital of Assofit during the period starting from 15 November 2010 up to 15 March 2011. In November 2010, the Company sought to exercise the option granted by the Call Option Agreement, however the buy-out was suspended by legal and arbitration proceedings that were initiated by Stockman in relation to the validity of the termination of the agreement relating to the call option under the Call Option Agreement. The case was considered by The London Court of International Arbitration (LCIA).

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

On 19 August 2014, the sole arbitrator of LCIA has made an award declaring that Arricano validly exercised the call option in 2010 whereby it sought to acquire a shareholding of 50.03 per cent of Assofit. The Company was ordered to deposit the call option price agreed in 2010 with independent third party by 1 January 2015. On 19 September 2014, Stockman appealed against this award at the High Court of England and Wales. As at the date that these consolidated interim condensed financial statements are authorised for issuance, this challenge remains pending before the High Court. On 31 March 2015, the sole arbitrator has issued an award declaring that Arricano properly deposited the option price with independent third parties by 1 January 2015, that Arricano's right to acquire shares pursuant to the second award has not expired and that Stockman's conditional obligation to transfer (or procure the transfer of) the shares to Arricano pursuant to the second award has not expired. The sole arbitrator also directed the parties to negotiate an escrow agreement to govern the terms on which the monies deposited by Arricano should be held going forward. As at the date that these consolidated interim condensed financial statement are authorized for issuance, further steps on this case are to be determined by the parties and the sole arbitrator.

On 16 June 2015, the sole arbitrator issued an order which established a procedural timetable for determination of Arricano's claim for damages and requested Stockman to provide disclosures in relation to Assofit's assets and financial affairs.

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

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

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

In September 2014, Assofit Holdings Limited transferred the shares of Prizma Beta LLC to Financial and Investment Solutions BV, a company registered in the Netherlands, despite the fact that an Interim Receiver was appointed in Assofit at that period of time with the responsibility of collecting and safeguarding Assofit's assets. Further in September 2014, Joint-Stock Bank Pivdeniy PJSC, Ukraine, which had an outstanding mortgage loan due from Prizma Beta LLC of USD 32,000 thousand, exercised its right to recover the abovementioned loan by means of reposession of ownership rights to the Skymall shopping centre which was pledged to secure this loan in September 2014. Management of the Group believes that these transfers are illegal and requests that the Group will transfer to Stockman the call option deposit placed as at 30 June 2015 only after these transfers are nullified. As at the date that these consolidated interim condensed financial statements are authorised for issuance, shares of Prizma Beta LLC and ownership rights for the Skymall shopping centre remain to be alienated.

As at 30 June 2015 and 31 December 2014, the Group holds 49.97% of nominal voting rights in Assofit without retaining significant influence. Due to loss of the legal control over the major operating asset being the Skymall shopping centre, management believes that investment in Assofit is fully impaired as at 30 June 2015 and 31 December 2014.

(ii) Legal case in respect of Mezokred Holding LLC

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

On 6 August 2014, the public prosecutor filed a new claim against Mezokred Holding LLC to recognise the lease agreement for a land plot in Obolon District of Kyiv as invalid. On 12 September 2014 the first instance court ruled to suspend the hearings on this case until passing of the ruling of the court in respect of the claim issued on 17 April 2014. On 26 November 2014, the Supreme Administrative Court of Ukraine cancelled the judgments of lower courts in respect of the claim, issued on 17 April 2014, and returned the case for new consideration to the first instance court. The respective hearing of the first instance court is scheduled on 6 October 2015. Management believes that the Group will be successful in defending its title to the lease agreement for the land plot concerned further in court, if this is required. Should this not be the case, the Group may ultimately lose its lease rights for the land plot concerned and title to the related investment property. As at 30 June 2015, the fair value of the land plot and property under construction at Mezokred Holding LLC is USD 5,097 thousand and USD 543 thousand, respectively (unaudited) (refer to note 5) .

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

In 2007, in accordance with legislation effective on that date Comfort Market Luks LLC paid the fee for participation share in the development of social, civil engineering and traffic infrastructure of the city of Kyiv in the amount of UAH 45,766 thousand (approximately USD 9 million as at the date of payment). In October 2014, Comfort Market Luks LLC has filed a claim against Department of Economics and Investment of the Kyiv City Council before the Economic Court of the city of Kyiv (the first instance court) in order to acknowledge the agreement on the share participation as executed. The abovementioned claim of Comfort Market Luks LLC was satisfied by the Economic Court of the city of Kyiv in full. Subsequently, the decision of the Economic Court of the city of Kyiv was challenged and Comfort Market Luks LLC has submitted its cassation appeal to the Highest Economic Court of Ukraine to reconfirm the earlier decision of the first instance court. Management believes that the Group will be successful in its cassation appeal. Otherwise, Comfort Market Luks LLC may be urged to pay additional UAH 25 million (approximately USD 1 million as at 30 June 2015) (unaudited). However, management deems that in this case Comfort Market Luks will have sufficient grounds to request the Kyiv council to repay back participation fee paid by Comfort Market Luks in 2007. As at 30 June 2015 and as at the date that these consolidated financial statements are authorised for issue, management has not claimed the repayment of the participation fee paid in 2007.

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

(e) Taxation contingencies

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

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

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

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

22 Related party transactions

(a) Control relationships

As at 30 June 2015 and 31 December 2014, the Group's shareholders are Retail Real Estate S.A., Vunderbuilt S.A., Dragon - Ukrainian Properties and Development plc, Weather Empire Limited, Sigma Real Estate Limited, Rauno Teder and Jüri Põld. The Group's ultimate controlling party is Estonian individual Hillar Teder. As at 30 June 2015, Hillar Teder indirectly controls 63.79% of the voting shares of the Company. Apart from this, the adult son of Hillar Teder controls 7.48% of the voting shares of the Company.

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the consolidated interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 is represented by salaries and bonuses of USD 150 thousand (unaudited) (six months ended 30 June 2014: USD 253 thousand (unaudited)).

(c) Transactions and balances with entities under common control

Outstanding balances with entities under common control are as follows:

(in thousands of USD)	**30 June 2015 (unaudited)**	31 December 2014
Long-term loans receivable	**39,761**	39,761
Short-term loans receivable	**308**	401
Trade receivables	**1,798**	5,394
Other receivables	**9,196**	9,391
Provision for impairment of trade and other receivables from related parties	**(50,630)**	(54,506)
	433	441
Long-term loans and borrowings	**4,410**	2,661
Short-term loans and borrowings	**35,256**	33,184
Trade and other payables	**1,620**	1,420
Advances received	**33**	44
Other liabilities	**21,379**	20,412
	62,698	57,721

None of the balances are secured. The terms and conditions of significant transactions and balances with entities under common control are described in notes 6, 8, 11, 12 and 13.

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

(in thousands of USD)	**2015 (unaudited)**	2014 (unaudited)
Interest expense	**(2,887)**	(2,443)
Interest income	**-**	581
Other operating expenses	**(150)**	(516)

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

(d) Guarantees issued

The Group's related parties issued guarantees securing loans payable by Ukrainian subsidiaries of Arricano Real Estate PLC to the EBRD (loans payable by Grandinvest PrJSC, UkrPanGroup PrJSC), OJSC "Bank "St.Petersburg" (loans payable by Livoberezhzhiainvest PrJSC) as at 30 June 2015 and Oshchadbank (loan payable by Comfort Market Luks LLC) as at 31 December 2014. The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans as at 30 June 2015 of USD 13,790 thousand (unaudited) (31 December 2014: USD 16,355 thousand), in relationship to OJSC "Bank "St.Petersburg" as at 30 June 2015 of USD 20,053 thousand (unaudited) (31 December 2014: USD 21,804 thousand). In addition, as at 31 December 2014, the guarantee in relation to the Oschadbank loan covers total outstanding amount of USD 10,098 thousand.

23 Subsequent events

In July 2015, the Group signed a new loan agreement with PJSC "Raiffeisen Bank Aval" for the total amount of UAH 255,053 thousand (equivalent of USD 11,826 thousand as at the date of the agreement) in order to refinance the existing loan due to PJSC "Raiffeisen Bank Aval" denominated in USD. The loan bears 18.00% interest rate per annum and matures in June 2020. The pledge remains unchanged. Based on the terms of the new loan agreement, the current portion of the long-term loan payable has decreased by USD 924 thousand.

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