London Stock Exchange

EQS Final Results

Arricano Real Estate Plc: Final Results

ARRICANO REAL ESTATE PLC

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Arricano Real Estate Plc (ARO)
Arricano Real Estate Plc: Final Results

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1 August 2022

Arricano Real Estate plc

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

Final Results

Audited Results for the 12 months ended 31 December 2021

Arricano, one of the leading real estate developers and operators of shopping centres in Ukraine with over 147,600 square meters of gross leasable area under operation and land for a further three sites under development, is pleased to announce its audited results for the year ended 31 December 2021.

Highlights 2021

- The Group's revenue increased by 15% to USD 37.2 million (2020: USD 32.3 million) as a result of the reduction of COVID-19 restrictions implemented by the Ukrainian government in 2021
- Underlying operating profit before revaluation of investment property increased by 16% to USD 25.1 million (2020: USD 21.7 million).
- The gain on revaluation of investment property of USD 29.0 million was primarily related to an increase in rental income of investment properties.
- As a result, the Group's net profit increased to USD 37.9 million (2020: USD 20.2 million).
- The total fair valuation of the Group's portfolio increased to USD 323.9 million (2020: USD 275.5 million).
- Group average occupancy was 99%, as at 31 December 2021
- Net asset value was USD 163.8 million as at 31 December 2021 (31 December 2020: USD 119.4 million).

Post Year-End

- The war in Ukraine has created significant uncertainty and distress. Nevertheless, all of Arricano's shopping malls have remained open and continue to trade, albeit at reduced volumes.
- The Company is financially and operationally well positioned to manage the business through the current crisis, albeit further escalation of the war could significantly impact the business.

Ganna Chubotina, Chief Executive Officer of Arricano, commented:

"I would like to acknowledge the commitment, tenacity and contribution of our team in 2021. Thanks to their efforts, Arricano is well positioned to manage the unprecedented challenges the people and businesses in Ukraine are facing in 2022 since the military invasion of Russian troops to Ukraine. The strong operational performance delivered in 2021 and proactive leasing strategy meant that the Company was close to achieving pre-COVID tenant sales and visitor numbers continued to rise. Looking ahead, we are determined to manage the business through the current crisis and emerge again with the ability to continue to grow."

Operational Review

2021 was a successful year for Arricano. Whilst still under restrictions for some of the year relating to the COVID-19 pandemic, we used the lessons learnt in 2020 to work collaboratively with our tenants and customers to navigate the market challenges and deliver growth both in tenant revenues and profitability. As a result, the financial performance of the business for the year was approaching pre-COVID levels, which we believe reflects well on the Group and set us up for further progress in 2022.

Despite the significant restrictions caused by the COVID-19 pandemic, our shopping malls performed well, largely retaining their tenant base, attracting millions of visitors and still adding new international brands as tenants. This is reflected in the trading performance which saw underlying operating profits (before revaluation) deliver USD 25.1 million, a 16% increase compared to the prior year.

We supported our tenants on a case-by-case basis, which limited the reduction in rental income whilst also maintaining investment in the development of the Lukyanivka shopping centre project in Kyiv.

Also 2021 showed our adaptability as our malls unexpectedly became key vaccination centres and our ability to reorganise to accommodate these centres was a credit to the operating teams.

Key to our success in 2021 was our pro-active leasing strategy. We were successful in attracting new brands, both domestic and international, to our malls, introducing new stores to enhance our consumer offer and match current social trends and popular styles. During 2021, the Group signed 84 new lease agreements covering a total area of 9,701.2 square meters, representing 6.6% per cent of the operating estate. Included in the new stores were New Balance, Puma, the French brand Decathlon, the Turkish fashion brand LC Waikiki, national electronics and home appliances store Foxtrot, Scandinavian retailer Moro and others. Combined with these new tenants was our ongoing focus on tenant mix optimisation. Many stores were remodelled and relocated within our portfolio, which is critical with occupancy at 99% in order to keep the shopping experience fresh and thereby sustaining a strong buyer-tenant-landlord ecosystem.

As ever, we continued to pursue our strategy of working in harmony with our tenants based on the principals of openness and trust. We focused on supporting our retail brands through involving them in in marketing programs, media campaigns, local community events in the malls, as well as providing professional consulting services. This level of collaboration has been the cornerstone of our business model for some time now, developing strong bonds with our long-term tenants proving to them that Arricano is a trusted business partner focused on mutual success.

This year, we integrated the concept of sustainable development into the Company's long-term strategy and adopted a new ESG policy. We have set ourselves the priority of corporate social responsibility, namely: the support and development of our community in order to build loyal and trusting relationships.

Under this ESG policy, the Group's activities were truly widespread and numerous. In total the Company completed 12 projects with communities, NGOs, artists and retail brands. Most notably: Arricano malls became vaccination centres; a very successful educational project for teachers called Teachers' Self Upgrade at the Prospekt shopping mall; social discussions with philanthropists and volunteers of Kryvyi Rih at Sun Gallery shopping mall; and Meet & Talk sessions on responsible parenting at all Arricano malls.

Demonstrating the popularity of our sites, the number of visitors to the malls in 2021, including the periods of government restrictions, amounted to 31.7 million visitors, only 4.2% less than in 2020.

The core of Arricano's business is the construction of malls and the harmonization of each facility with the community surrounding them. By improving our shopping malls, we extend the life cycle of the facility taking into account the changing needs and interests of the local communities and actively interacting with a wide range of different social groups. Whilst maintaining strict cost controls we continued to develop our assets, including our new site, the Lukianovka project, in Kyiv and refit works in our regional shopping centers in Zaporizhzhia and Kryvyi Rih. Since the outbreak of the war in Ukraine, development works have been largely suspended. The Company will provide further updates as appropriate.

Outlook

We are living in extraordinary times, and I am immensely proud of our teams across the business who continue to work so hard despite recent tragic events. It is their tenacity which gives us all confidence that we will get through the wartime together, operating our malls, supporting the economy of our country, supporting our tenants and the team, providing close to normal services for our visitors. We cannot forecast the outcome or the impact of the current war in Ukraine but we believe we will get through all challenges and emerge in a position to move forward rapidly again.

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Arricano Real Estate PLC

Consolidated financial statements as at and for the year ended 31 December 2021

Consolidated statement of financial position as at 31 December 2021

(in thousands of USD)	*Note*	**31 December 2021**	31 December 2020
Assets			
Non-current assets			

Investment property	*5*	**323,982**	275,452
Long-term VAT receivable		**1,124**	4,130
Property and equipment		**64**	94
Intangible assets		**85**	126
Total non-current assets		**325,255**	279,802
Current assets			
Trade and other receivables	*7*	**1,740**	1,673
Prepayments made and other assets		**695**	479
VAT receivable		**594**	576
Assets classified as held for sale	*8*	**1,585**	1,529
Income tax receivable		**632**	380
Cash and cash equivalents	*9*	**8,530**	12,062
Total current assets		**13,776**	16,699
Total assets		**339,031**	296,501

(in thousands of USD)	*Note*	**31 December 2021**	31 December 2020
Equity and Liabilities			
Equity	*10*		
Share capital		**67**	67
Share premium		**183,727**	183,727
Non-reciprocal shareholders contribution		**59,713**	59,713
Retained earnings		**105,057**	67,142
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(122,794)**	(129,272)
Total equity		**163,787**	119,394
Non-current liabilities			
Long-term borrowings	*12*	**69,709**	73,458
Long–term trade and other payables	*13*	**17,009**	15,330
Long-term advances received		**697**	
Other long-term liabilities	*15*	**34,743**	31,462
Deferred tax liability	*19*	**12,437**	5,796
Total non-current liabilities		**134,595**	126,046
Current liabilities			
Short-term borrowings	*12*	**24,690**	32,360
Trade and other payables	*13*	**3,337**	3,712
Taxes payable other than income tax		**1,344**	5,015
Advances received	*14*	**6,663**	5,503
Other liabilities	*15*	**4,615**	4,471
Total current liabilities		**40,649**	51,061
Total liabilities		**175,244**	177,107
Total equity and liabilities		**339,031**	296,501

Arricano Real Estate PLC

Consolidated financial statements as at and for the year ended 31 December 2021

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

(in thousands of USD, except for earnings per share)	*Note*	**2021**	202
Revenue	*16*	**37,180**	32,3
Gain/(loss) on revaluation of investment property	*5(a)*	**28,962**	24,8
Goods, raw materials and services used		**(1,409)**	(1,00
Operating expenses	*17*	**(8,274)**	(7,41
Salary costs and related charges		**(2,318)**	(2,08
Depreciation and amortisation		**(125)**	(13
Profit from operating activities		**54,016**	46,5
Finance income	*18*	**2,329**	1
Finance costs	*18*	**(11,689)**	(21,88
Net finance costs		**(9,360)**	(21,74
Profit before income tax		**44,656**	24,7
Income tax expense	*19*	**(6,741)**	(4,60
Net profit for the year		**37,915**	20,1
Items that will be reclassified to profit or loss:			
Foreign exchange gains/ (losses) on monetary items that form part of net investment in the foreign operation, net of tax effect	*20(f)(i)*	**10,707**	(49,83
Foreign currency translation differences on foreign operations	*20(f)(i)*	**(4,229)**	21,1
Total items that will be reclassified to profit or loss		**6,478**	(28,69
Other comprehensive income (loss)		**6,478**	(28,69
Total comprehensive income (loss) for the year		**44,393**	(8,51
Weighted average number of shares (in shares)	*11*	**103,270,637**	103,270,6
Basic and diluted earnings per share, USD	*11*	**0.36714**	0.195

Arricano Real Estate PLC

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

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

(in thousands of USD)	*Note*	**2021**	2020
Cash flows from operating activities			
Profit before income tax		**44,656**	24,782
Adjustments for:			
Finance income, excluding foreign exchange gain	*18*	**(1,324)**	(143)
Finance costs, excluding foreign exchange loss	*18*	**11,689**	12,213
(Gain) / loss on revaluation of investment property	*5(a)*	**(28,962)**	(24,859)
Depreciation and amortisation		**125**	131
Unrealized foreign exchange loss / (gain)	*18*	**(1,005)**	9,674
Accrual of provisions			845
Operating cash flows before changes in working capital		**25,179**	22,643
Change in trade and other receivables		**(8)**	(108)
Change in prepayments made and other assets		**1,051**	569
Change in VAT receivable		**3,008**	17
Change in taxes payable		**(3,702)**	1,704
Change in trade and other payables		**(795)**	(4,667)

	Note	2021	2020
Change in advances received		**1,918**	62
Change in other liabilities		**(116)**	(432)
Income tax paid		**(1,382)**	(917)
Interest paid		**(4,368)**	(7,934)
Cash flows from operating activities		**20,785**	10,937
Cash flows from investing activities			
Acquisition of investment property and settlements of payables due to constructors		**(8,345)**	(7,749)
Acquisition of property and equipment		**(47)**	(85)
Interest received		**577**	143
Cash flows used in investing activities		**(7,815)**	(7,691)

(in thousands of USD)	*Note*	**2021**	2020
Cash flows from financing activities			
Proceeds from borrowings	*12*	**15,497**	18,232
Repayment of borrowings	*12*	**(32,183)**	(15,094)
Cash flows from/(used in) financing activities		**(16,686)**	3,138
Net increase in cash and cash equivalents		**(3,716)**	6,384
Cash and cash equivalents at 1 January		**12,062**	6,905
Effect of movements in exchange rates on cash and cash equivalents		**184**	(1,227)
Cash and cash equivalents at 31 December	*9*	**8,530**	12,062

Non-cash movements

During the years ended 31 December 2021 and 31 December 2020, no non-cash movement took place.

The consolidated statements of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 26 to 76.

	Attributable to equity holders of the parent					
(in thousands of USD)	**Share capital**	**Share premium**	**Non-reciprocal shareholders contribution**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**
Balances at 1 January 2021	**67**	**183,727**	**59,713**	**67,142**	**(61,983)**	**(129,272)**
Total comprehensive income/(loss) for the year						
Net profit for the year	-	-	-	**37,915**	-	
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (Note 20(f)(i))	-	-	-	-	-	**10,707**
Foreign currency translation differences	-	-	-	-	-	**(4,229)**
Total other comprehensive income for the year	-	-	-	-	-	**6,478**
Total comprehensive income for the year	-	-	-	**37,915**	-	**6,478**
Balances at 31 December 2021	**67**	**183,727**	**59,713**	**105,057**	**(61,983)**	**(122,794)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 26 to 76.

	Attributable to equity holders of the parent

(in thousands of USD)	Share capital	Share premium	Non-reciprocal shareholders contribution	Retained earnings	Other reserves	Foreign currency translation differences
Balances at 1 January 2020	67	183,727	59,713	46,962	(61,983)	(100,581)
Total comprehensive income/(loss) for the year						
Net profit for the year	-	-	-	20,180	-	-
Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (Note 20(f)(i))	-	-	-	-	-	(49,834)
Foreign currency translation differences	-	-	-	-	-	21,143
Total other comprehensive income for the year	-	-	-	-	-	(28,691)
Total comprehensive income for the year	-	-	-	20,180	-	(28,691)
Balances at 31 December 2020	67	183,727	59,713	67,142	(61,983)	(129,272)

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages from 26 to 76.

1 Background

(a) Organisation and operations

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

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 31 December 2021, the Group operated five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rih with a total leasable area of over 147,600 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be developed.

The average number of employees employed by the Group during the year is 89 (2020: 78).

(b) Ukrainian business environment

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

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

On 21 February 2022, the Russian Federation officially recognised two Ukrainian breakaway regions of Luhansk and Donetsk and authorised the use of military forces in those territories. On 24 February 2022, Russian troops invaded Ukraine and commenced military activities in multiple locations. These ongoing activities have led to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine and overall significant disruption to economic activity in Ukraine. This has had a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to military actions,
the Decree of the President of Ukraine No. 64/2022 imposed martial law, which has now been extended until August 23, 2022.

With the beginning of the military invasion of Russian troops, all rating agencies have worsened Ukraine's credit rating. On May 20, 2022, Moody's Investors Service downgraded Ukraine's credit rating to Caa3, on May 27, 2022, Standard & Poor's downgraded Ukraine's credit rating to CCC+ with a review of the possible downgrade, on July 22, 2022, Fitch downgraded Ukraine's credit rating to C

As discussed in Note 2(e), management has considered these events in their assessment of the going concern assumption.

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

(c) Cyprus business environment

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic

Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a “bail in”.

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

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

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

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

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

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

(d) Russian business environment

The Group’s operations are also carried out in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

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

In February 2022, following the recognition of self-proclaimed republics of Donetsk and Lugansk and the commencement of military operations in Ukraine by the Russian Federation, additional sanctions were introduced by the United States of America, the European Union and some other countries against Russia. Moreover, there is an increased risk that even further sanctions may be introduced. This may have a significant adverse impact on Russia’s economy. These events have led to depreciation of the Russian rouble, increased volatility of financial markets and significantly increased the level of economic uncertainty in the Russian business environment.

Also, the COVID-19 coronavirus pandemic has continued to create additional uncertainty in the business environment.

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

- Historical rates: for the equity accounts except for net profit or loss and other comprehensive income (loss) for the year.
- Year-end rate: for all assets and liabilities.
- Rates at the dates of transactions: for the statement of profit or loss and other comprehensive income and for capital transactions.

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

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

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

Currency	**2021**	2020

UAH	**27.28**	28.27
RUB	**74.29**	73.88

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

Currency	**2021**	2020
UAH	**27.29**	26.96
RUB	**73.67**	71.94

As at the date these consolidated financial statements are authorised for issue, 29 July 2022, the exchange rate is UAH 36.57 to USD 1.00 and RUB 60.2to USD 1.00.

(d) Use of judgments, estimates and assumptions

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

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

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

- Note 5 – valuation of investment property,

(e) Going concern

In current circumstances the Group conducts its operating activities in territories which were not significantly affected by the military actions, as described in Note 1(b). Taking this into account, the Group's management has considered the uncertainty related to the consequences of military invasion and concluded that the Group is expected to be able to continue as a going concern based on the following considerations:

- Although it is extremely difficult to predict the duration of the war, in its adverse but plausible scenario, the Group's management expects the war to continue until the end of 2022 and for the Group to be able to conduct its operating activities on the non-occupied territory of Ukraine during this period. According to this budget the Group plans to earn revenue that together with other measures undertaken by the Group's management, including negotiations with lenders and banks about postponing of debt repayments, will give an ability to settle the Group's liabilities in the normal course of business.

- The Group's management believes that the recovery of business activity continues. Based on current estimates, the Group expects to earn around 75% of the last year's comparative period net operating income for the first 6 months of 2022. As at the date these consolidated financial statements are authorised for issue, all of Arricano's shopping centers were operational, with occupancy rate more than 95%.

- The Group`s management have also been working with the tenants, suppliers and bank lenders to negotiate the terms of continuing cooperation, possible restructuring of working conditions and repayment of debts, etc.

- The Group expects to have sufficient financial resources to finance its operations during the military invasion and in the foreseeable future, also under the severe but plausible scenario. The main sources of funding are expected to be cash balances and ongoing rental income from tenants.

- In addition, the Group's management received a waiver from the Joint Stock Company "State Savings Bank of Ukraine" for application of the condition based on which the lender can request repayment of the full amount of the loan during 3-month period (Note 12) and as result the loan part in amount of USD 16.5 million presented as at 31 December 2021 as short-term liabilities is expected to be repayable after 31 December 2022.

- As at the date the financial statements were authorized for issue, the Group's management does not intend to suspend or liquidate its activities in Ukraine.

However, as at that date, it is also difficult to predict the period and duration of military aggression in Ukraine. Continuation of military aggression will result in prolongation of existing administrative restrictions from the National Bank of Ukraine, such as a ban on any payments to the Group's foreign counterparties, as well as additional administrative restrictions may be introduced by the Ukrainian authorities. Further, prolongation of military activities may result in the Group's inability to restart its full-scale operating activities, caused by significant disruption to the Group's supply chain and significant damage to the Group's infrastructure, as well as insufficient human resources to conduct the daily operating activities of the Group. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the war in Ukraine could negatively affect the Group's results and financial position in a manner not currently determinable, including its ability to continue as a going concern. These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

These financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if the Group was unable to continue as a going concern.

(f) Measurement of fair values

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

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

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

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

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

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

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

3 Changes in accounting policies

As at the date these consolidated financial statements are authorised for issue, there are no changes in accounting policies, which have significant impact on the financial statements.

4 Significant accounting policies and transition to new standards

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Consolidated entities as at 31 December are as follows:

Name	Country of incorporation	Cost		% of ownership	
		2021	2020	**2021**	2020
(in thousands of USD, except for % of ownership)					
Praxifin Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
U.A. Terra Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Museo Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
Sunloop Co Limited	Cyprus	**3**	3	**100.00%**	100.00%
Lacecap Limited	Isle of Man	**3**	3	**100.00%**	100.00%
Beta Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%

Voyazh-Krym LLC	Ukraine	**363**	363	**100.00%**	100.00%
PrJSC Livoberezhzhiainvest	Ukraine	**69**	69	**100.00%**	100.00%
PrJSC Grandinvest	Ukraine	**69**	69	**100.00%**	100.00%
Arricano Property Management LLC	Ukraine	**5**	5	**100.00%**	100.00%
PrJSC Ukrpangroup	Ukraine	**59**	59	**100.00%**	100.00%
Prisma Alfa LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Development LLC	Ukraine	**9**	9	**100.00%**	100.00%
Prisma Development LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Real Estate LLC	Ukraine	**-**	-	**100.00%**	100.00%
Twible Holdings Limited	Cyprus	**-**	-	**100.00%**	100.00%
Gelida Holding Limited	Cyprus	**-**	-	**100.00%**	100.00%
Sapete Holdings Limited	Cyprus	**-**	-	**100.00%**	100.00%
Wayfield Limited	Cyprus	**-**	-	**100.00%**	100.00%
Comfort Market Luks LLC	Ukraine	**40,666**	40,666	**100.00%**	100.00%
Mezokred Holding LLC	Ukraine	**8,109**	8,109	**100.00%**	100.00%
Vektor Capital LLC	Ukraine	**11,441**	11,441	**100.00%**	100.00%
Budkhol LLC	Ukraine	**31,300**	31,300	**100.00%**	100.00%
Budkholinvest LLC	Ukraine	**-**	-	**100.00%**	100.00%
Green City LLC	Russian Federation	**-**	-	**100.00%**	100.00%
RRE Development Services OU	Estonia	**-**	-	**100.00%**	100.00%
Coppersnow Limited	British Virgin Islands	**-**	-	**100.00%**	100.00%

(iii) Interests in equity-accounted investees

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

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

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

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

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

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

Name	**Country of incorporation**	**% of ownership**	
		2021	2020
Filgate Credit Enterprises Limited	Cyprus	**49.00%**	49.00%

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

In addition, a call share option agreement was concluded granting an option to the Parent Company to purchase the remaining 51% of the corporate rights of Filgate Credit Enterprises Limited within 5 years from the effective date. Exercise of the call option depends on certain criteria and occurrence of certain condition, and, as at the date of these consolidated financial statements are authorised for issuance, the call option had not been exercised by the Group. Thus, the rights under the call option agreement were not taken into consideration upon recognition of investment in Filgate Credit Enterprises Limited and determination of the investment's classification.

(iv) Transactions with entities under common control

Acquisitions from entities under common control

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

Disposals to entities under common control

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

(v) Loss of control

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency transactions and operations

(i) Foreign currency transactions

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

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

Foreign currency differences are generally recognised in profit or loss.

Foreign currency transactions of Group entities located in Ukraine

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

(ii) Foreign operations

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

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Derecognition

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

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

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

(iii) Classification and subsequent measurement of financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

(iv) Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

(vi) Classification and subsequent measurement of financial liabilities

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

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

(vii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

(viii) Offsetting

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

(d) Capital and reserves

Share capital

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

Share premium

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

Non-reciprocal shareholders contribution

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

Retained earnings

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

Other reserves

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

Foreign currency translation differences

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

(e) Investment properties

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

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

(i) Initial measurement and recognition

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

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

(ii) Subsequent measurement

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

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

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

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

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

(iii) Property under development (construction)

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

(f) Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

(g) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

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

- software 3-5 years

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

(h) Inventories

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

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

(i) Assets classified as held for sale

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

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

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

(j) Impairment

(i) Impairment - financial assets

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

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

Loss allowances are measured on either of the following bases:

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Presentation of allowance for ECL

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

(ii) Non-financial assets

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

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

(k) Provisions

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

(l) Revenue

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

Common parts exploitation services

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

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

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

Marketing services

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

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

(i) Rental income from investment property

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

(m) Leases

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

(i) As a lessee

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

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

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

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

use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

(ii) As a lessor

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

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

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

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

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

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

(n) Finance income and costs

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

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

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

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

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

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

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

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

(o) Income tax expense

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

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

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

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

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

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

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

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

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

(p) Earnings per share

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

As at 31 December 2021 and 2020, there were no potential dilutive ordinary shares.

(q) Segment reporting

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

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

(r) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.*
- *Annual Improvements to IFRS Standards 2018–2020.*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

5 Investment property

(a) Movements in investment property

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

(in thousands of USD)	Land held on freehold	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Total
1 January 2020	**6,300**	**40,050**	**219,550**	**8**	**23,392**	**289,300**
Additions	-	-	127	251	10,078	10,456
Disposals	-	-	-	(3)	-	(3)
Fair value gain on revaluation	567	6,406	17,886	-	-	24,859
Currency translation adjustment	(1,067)	(6,756)	(37,062)	(123)	(4,152)	(49,160)
At 31 December 2020/ At 1 January 2021	**5,800**	**39,700**	**200,501**	**133**	**29,318**	**275,452**
Additions			595	1,250	8,654	10,499
Disposals						
Fair value gain on revaluation	387	1,254	27,321	-	-	28,962
Currency translation adjustment	13	1,446	6,583	34	993	9,069
At 31 December 2021	**6,200**	**42,400**	**235,000**	**1,417**	**38,965**	**323,982**

Capitalised borrowing costs related to the construction of Lukianivka shopping and entertainment center to USD 2,850 thousand (2020: USD 1,731 thousand), with a capitalization rate of 11.4% (2020: 11.3%).

As at 31 December 2021, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 204,700 thousand (2020: USD 160,500 thousand)
(refer to Note 21 (a)).

During the year ended 31 December 2021, 90% of total construction services were purchased from one counterparty (2020: 95%).

(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 31 December 2021, the fair value of investment property categorised within the Level 2 category is USD 30,900 thousand (2020: USD 29,400 thousand). To assist with the estimation of the fair value of the Group's investment property as at 31 December 2021, which is represented by the shopping centres and land, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

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

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

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

As at 31 December 2021, the estimation of fair value was made using a net present value calculation based on certain assumptions, the most important of which were as follows:

- monthly weighted average rental rates per shopping centers excluding turnover income, ranging from USD 12 to USD 25 per sq.m., which were based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy rates ranging from 98.6% to 100%, and capitalisation rates ranging from 12.5% to 16.5% p.a. which represented key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

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

As at 31 December 2021, the fair value of investment property denominated in functional currency amounted to UAH 6,426,744 thousand and RUB 3,566,045 thousand (2020: UAH 5,660,575 thousand and RUB 3,383,507 thousand). The increase in fair value of investment property results from increased rental payments invoiced in Ukrainian hryvnia and Russian Rouble due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the rental contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2021 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 2,616 thousand (2020: USD 2,206 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would USD 2,616 thousand (2020: USD 2,206 thousand) higher.
- If the capitalisation rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 19,676 thousand (2020: USD 15,294 thousand) lower. If the capitalisation rate is 1% less, then the fair value of investment properties would USD 21,916 thousand (2020: USD 17,785 thousand) higher.
- If the occupancy rate is 1% higher than that used in the valuation model, the fair value of investment properties would be USD 972 thousand higher (2020: if t the occupancy rate is 1% higher than that used in the valuation model for shopping center "Sun Gallery" and is assumed to be 100% for other shopping centers, the fair value of investment properties would be USD 1,997 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 2,300 thousand (2020: USD 1,998 thousand) lower.

6 Loans receivable

Loans receivable as at 31 December are as follows:

(in thousands of USD)	**2021**	2020
Short-term loans receivable due from related parties	**8,492**	8,489
Accrued interest receivable due from related parties	**2,987**	2,719
Impairment of loans receivable due from related parties	**(11,479)**	(11,208)
	-	-

Included in loans receivable as at 31 December 2021 is a loan due from Filgate Credit Enterprises Limited amounting to USD 11,109 thousand (2020: USD 11,109 thousand). This loan receivable was fully impaired as at 31 December 2021 and 2020.

7 Trade and other receivables

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

(in thousands of USD)	**2021**	2020
Trade receivables from related parties	**1**	1
Other receivables from related parties	**8,160**	8,160
Allowance for impairment	**(8,158)**	(8,158)
	3	3
Trade receivables from third parties	**1 762**	1,720
Other receivables from third parties	**116**	112
Allowance for impairment	**(141)**	(162)
	1,737	1,670
	1,740	1,673

As at 31 December 2021, included in other receivables from related parties are receivables from Dniprovska Prystan PrJSC amounting to USD 7,796 thousand (2020: USD 7,796 thousand), which are overdue. In 2012, the court ruled to initiate bankruptcy proceedings against the mentioned related party and, on 20 May 2019, the decision which declare Dniprovska Prystan PrJSC insolvent has been made. Full amount of receivable was impaired as at 31 December 2021 and 2020.

8 Assets classified as held for sale

(a) Movements in assets classified as held for sale

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

	Land held on leasehold	Buildings	Prepayment for investment property	Property under construction	Other assets	Total

(in thousands of USD)						
At 31 December 2019/ 1 January 2020	-	-	-	-	**1,826**	**1,826**
Currency translation adjustment	-	-	-	-	(297)	(297)
At 31 December 2020/ 1 January 2021	-	-	-	-	**1,529**	**1,529**
Currency translation adjustment	-	-	-	-	56	56
At 31 December 2020/ 1 January 2021	-	-	-	-	**1,585**	**1,585**

Included in other assets classified as held for sale as at 31 December 2021, is a land plot with a carrying amount of USD 1,585 thousand (2020: USD 1,529 thousand), land lease rights for which were intended to be amended by one of the Group's subsidiaries, Comfort Market Luks LLC, in respect of allocation of part of such land plot to a third party in accordance with an investment agreement concluded between the parties. Based on this investment agreement, Comfort Market Luks LLC acted as an intermediary in construction of a hypermarket with the total estimated area of 11,769 square meters and a parking lot with a total estimated area of 20,650 square meters.

As at 31 December 2021 and 2020, the construction of the hypermarket and a parking lot is finalised and, except for the lease rights for the abovementioned land plot to be allocated to a third party, the owner of the hypermarket, the investment agreement is considered to be fulfilled. Management expects that the lease rights for the land plot under the hypermarket will be transferred to the third party in 2022 subject to completion of formal legal procedures. As at 31 December 2021, advance payment received under this agreement amounts to USD 1,686 thousand (2020: USD 1,627 thousand) and will be settled upon transfer of the lease rights for the land plot.

9 Cash and cash equivalents

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

(in thousands of USD)	**2021**	2020
Bank balances	**8,165**	12,062
Call deposits	**365**	
	8,530	12,062

As at 31 December 2021, in connection with loans and borrowings, the Group pledged as security bank balances with a carrying value of USD 1,958 thousand (2020: USD 212 thousand) (Note 21(a)). However, the use of this balance is not restricted.

As at 31 December 2021, cash and cash equivalents placed with two bank institutions amounted to USD 4,516 thousand, or 53% of the total balance of cash and cash equivalents (2020: USD 9,800 thousand, or 81%). In accordance with Moody's rating, one of these banks is rated Baa2 and another is B2 as at 31 December 2021 (2020: is rated Baa3 and another is B3).

10 Share capital

Share capital as at 31 December is as follows:

	2021 Number of shares	**2021 US dollars**	**2021 EUR**	2020 Number of shares	2020 US dollars	2020 EUR
Issued and fully paid						
At 1 January and 31 December	**103,270,637**	**66,750**	**51,635**	103,270,637	66,750	51,635
Authorised						
At 1 January and 31 December	**106,000,000**	**68,564**	**53,000**	106,000,000	68,564	53,000
Par value, EUR	**-**	**-**	**0.0005**	-	-	0.0005

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

During the years ended 31 December 2021 and 2020, the Parent Company did not declare any dividends.

11 Earnings per share

The calculation of basic earnings per share for the years ended 31 December 2021 and 2020 was based on the profit for the years ended 31 December 2021 and 2020 attributable to ordinary shareholders of USD 37,915 thousand and USD 20,180 thousand, respectively, and weighted average number of ordinary shares outstanding as at 31 December 2021 and 2020 of 103,270,637.

The Group has no potential dilutive ordinary shares.

12 Loans and borrowings

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

(in thousands of USD)	**2021**	2020
Non-current		
Secured bank loans	**22,256**	27,293
Unsecured loans from related parties	**20,343**	21,420
Unsecured loans from third parties	**27,110**	24,745
	69,709	73,458
Current		
Secured bank loans (current portion of long-term bank loans)	**21,744**	19,631
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**1,479**	11,630
Unsecured loans from third parties	**1,467**	1,099
	24,690	32,360
	94,399	105,818

Terms and debt repayment schedule

As at 31 December 2021, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	**Currency**	**Nominal interest rate**	**Contractual year of maturity**	**Carrying value**
Secured bank loans				
Secured bank loans	**USD**	**5%-6.8%**	**2024-2026**	**36,313**
Secured bank loans	**UAH**	**13.25%**	**2025**	**7,687**
				44,000
Unsecured loans from related parties				
Unsecured loans from related parties	**USD**	**10.50%**	**2023**	**21,516**
Unsecured loans from related parties	**USD**	**10%**	**on demand**	**259**
Unsecured loans from related parties	**UAH/USD**	**0-3.2%**	**2019**	**47**
				21,822
Unsecured loans from third parties				
Unsecured loan from third party	**USD**	**10.50%**	**2023**	**28,370**
Unsecured loan from third party	**USD**	**3%**	**2022**	**207**
				28,577
				94,399

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

(in thousands of USD)	Currency	Nominal and effective interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
Secured bank loans	USD	7.50%-11.25%	2023-2025	38,656
Secured bank loans	UAH	13.25%	2025	8,268
				46,924
Unsecured loans from related parties				
Unsecured loans from related parties	USD	10.5%	2021-2023	32,788
Unsecured loans from related parties	USD	10.0%	on demand	212
Unsecured loans from related parties	UAH/USD	0-3.2%	2019	50
				33,050
Unsecured loans from third parties				
Unsecured loan from third party	USD	10.50%	2023	25,645
Unsecured loan from third party	USD	3.0%	2022	199
				25,844
				105,818

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

a. Joint Stock Company "Taskombank"

During the year ended 31 December 2021, the Group signed a number of amendments to the loan agreement with carrying value as at 31 December 2021 equal to USD 9,200 thousand with
Joint Stock Company "Taskombank" stipulating a decrease in the annual interest rate from 9.75% to 6.8%. Per agreed repayment schedule effective interest rate for this loan stipulated 11.27%.

During the year ended 31 December 2021, the Group repaid the loan to Joint Stock Company "Taskombank" syndicated with PJSC "Universal Bank". Loan repayment was financed by the loan received from
Joint Stock Company "Alfa-Bank".

b. Joint Stock Company "State Savings Bank of Ukraine"

During the year ended 31 December 2021, the Group received tranches on the existing loan facility with a bank in the amount of USD 3,192 thousand to finance the construction of the Lukianivka shopping and entertainment centre. The tranche facility expires on 25 July 2024 and 25 July 2026 and bears interest per initial agreement of 5.75% per annum. During the year ended 31 December 2021, the Group signed a number of amendments to the loan agreement stipulating a decrease in the annual interest rate of the received tranche by 1.75%.

In accordance with the loan agreement, the lender may require early repayment of the loan facility amount. Respectively, the total loan amount of USD 16,350 thousand is presented within the current liabilities
as at 31 December 2021 (31 December 2020: USD 14,578 thousand).

c. Joint Stock Company "Raiffeisen Bank Aval"

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

d. Joint Stock Company "Alfa-Bank"

During the year ended 31 December 2021, the Group entered into a loan agreement with
Joint Stock Company "Alfa-Bank" for a 5-year term loan in an amount of USD 18,000 thousand. The tranche facility expires on 27 October 2026 and bears interest per initial agreement of 5% per annum
(7,5% per annum after 27 October 2023). The proceeds of the loan will be utilised mainly to repay
USD 11,200 thousand of an existing loan with Taskombank JSC and JSC "Universal Bank" as well as to finance construction of shopping mall.

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

Movements of liabilities for the year ended 31 December 2021 are as follows:

(in thousands of USD)	**Loans and borrowings**	**Total**
Balance at 1 January 2021	**105,818**	**105,818**
Proceeds from borrowings	**15,497**	**15,497**

	Loans and borrowings	**Total**
Repayment of borrowings	**(32,183)**	**(32,183)**
The effect of changes in foreign exchange rates	**291**	**291**
Gain from terms modification	**(450)**	**(450)**
Interest expense	**9,794**	**9,794**
Interest paid	**(4,368)**	**(4,368)**
Balance at 31 December 2021	**94,399**	**94,399**

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

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

(in thousands of USD)	Loans and borrowings	Total
Balance at 1 January 2020	102,399	102,399
Proceeds from borrowings	18,232	18,232
Repayment of borrowings	(15,094)	(15,094)
The effect of changes in foreign exchange rates	(1,872)	(1,872)
Interest expense	10,098	10,098
Interest paid	(7,945)	(7,945)
Balance at 31 December 2020	105,818	105,818

13 Trade and other payables

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

(in thousands of USD)	**2021**	2020
Non-current liabilities		
Payables for construction works	**16,554**	15,330
Trade and other payables to third parties	**455**	-
	17,009	15,330
Current liabilities		
Trade and other payables to related parties	**214**	218
Trade and other payables to third parties	**3,123**	3,494
	3,337	3,712
	20,346	19,042

As at 31 December 2021, included in payables for construction works are accrued financial charges under construction agreement with third parties amounting to USD 16,546 thousand (31 December 2020:
USD 15,323 thousand). In 2017-2018, the constructors claimed the Group to reimburse finance and foreign currency losses incurred by constructors due to untimely fulfillment of obligations by the Group companies under construction agreements, as well as fee for restructuring of accounts payable. As a result of negotiation accomplished on 12 July 2017, interest rate of 10.00% per annum was imposed on charges payable, they were converted to USD and maturity was postponed to 31 December 2025.

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

14 Advances received

Advances from customers as at 31 December are as follows:

(in thousands of USD)	**2021**	2020
Non-current liabilities		

Advances from third parties	**697**	-
	697	-
Current liabilities		
Advances received under investment agreement (refer to Note 8)	**1,686**	1,627
Advances from third parties	**4,952**	3,852
Advances from related parties	**25**	24
	6,663	5,503
	7,360	5,503

Advances from third parties are mainly represented by prepayments from tenants for the period from one to two months.

15 Other liabilities

Other liabilities as at 31 December are as follows:

(in thousands of USD)	**2021**	2020
Non-current		
Deferred consideration	**34,592**	31,305
Other long-term liabilities	**151**	157
	34,743	31,462
Current		
Deferred consideration	**1,522**	1,378
Tax provision	**3,093**	3,093
	4,615	4,471
	39,358	35,933

Deferred consideration is represented with amount payable to a third party that also granted the Group unsecured loans (Note 12(d)), in respect of the acquisition of Wayfield Limited and its subsidiary
Budkhol LLC, and includes principal and accrued interest on deferred consideration in amount of
USD 34,592 thousand and USD 1,522 thousand, respectively (2020: USD 31,305 thousand presented as current liability and USD 1,378 thousand presented as current liability, respectively).

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

16 Revenue

The revenue is represented as follows:

(in thousands of USD)	**2021**	2020
Rental income:		
Fixed lease payments	**26,222**	22,652
Variable lease payments	**3,310**	2,555
	29,532	25,207
Revenue from contract with customers:		
Common parts exploitation services	**7,328**	6,822
Marketing services	**320**	274

	7,648	7,096
	37,180	32,303

The major amount of the Group's revenue is represented by rental income from investment properties that falls within the requirements of IFRS 16 *Leases* and amounts to USD 29,532 thousand for the year ended 31 December 2021 (2020: USD 25,207 thousand).

During the year ended 31 December 2021, 14% of the Group's rental income was earned from two tenants (9% and 5%, respectively) (2020: 8% and 5%, respectively).

The Group rents out premises in the shopping centres to tenants in accordance with lease agreements predominantly concluded for a period of up to 58 months, save for the hypermarkets and large network retails chains, which enter into long term lease agreements. In accordance with lease agreements, rental rates are usually established in USD and are settled in functional currency using the exchange rates as applicable. However, taking into account the current market conditions, the Group provides temporary discounts to some of its tenants, in arriving to the rent payment for the particular month.

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

The Group's lease agreements with tenants usually include non-cancellation clause for the period from 2 to 58 months. The Group believes that execution of the option to prolong the lease period upon expiration of non-cancellable period on the terms different to those agreed during the non-cancellable period, is not substantiated. Accordingly, upon calculation of rental income for the period the Group does not take into account rent payments, which are prescribed by the agreements upon expiration of the period during which the agreement cannot be cancelled.

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

There are no contract assets and contract liabilities that arise on the above stated service lines.

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

(in thousands of USD)	**2021**	2020
Land rent, land and other property taxes (Note 17)	**2,857**	1,359
Advertising (Note 17)	**799**	505
Repair, maintenance and building services	**749**	528
Security services (Note 17)	**718**	698
Communal public services	**386**	269
	5,509	3,359

No direct operating expenses arising from investment property that did not generate rental income during 2021 and 2020 occurred.

17 Operating expenses

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

(in thousands of USD)	**2021**	2020
Land rent, land and property taxes (Note 16)	**2,857**	1,359
Management, consulting and legal services	**1,956**	2,615
Advertising (Note 16)	**799**	505
Security services (Note 16)	**718**	698
Office expenses and communication services	**583**	476
Impairment loss on trade receivables and contract assets	**218**	22
Administrative expenses	**148**	177
Independent auditors' remuneration	**127**	149
Tax services charged by independent auditors	**28**	62
Other assurance service charged by independent auditors	**10**	3
Tax provision	**-**	648
Other	**830**	698
	8,274	7,412

18 Finance income and finance costs

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

(in thousands of USD)	**2021**	202

Foreign exchange gain	**1,005**	
Interest income	**577**	14
Gain from terms modification	**450**	
Other finance income	**297**	
Finance income	**2,329**	14
Interest expense	**(8,215)**	(9,69
Interest expense on deferred consideration (note 15)	**(3,432)**	(2,51
Foreign exchange loss	**-**	(9,67
Other finance costs	**(42)**	
Finance costs	**(11,689)**	(21,88
	-	
Net finance cost	**(9,360)**	(21,74

19 Income tax expense

(a) Income tax expense

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

(in thousands of USD)	**2021**	2020
Current tax expense	**1,017**	874
Deferred tax (benefit)/expense	**5,724**	3,728
Total income tax expense	**6,741**	4,602

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

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

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

(b) Reconciliation of effective tax rate

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

(in thousands of USD)	**2021**	**%**	2020	%
Profit before tax	**44,656**	**100%**	24,782	100%
Income tax expense at statutory rate in Ukraine	**8,038**	**18%**	4,461	18%
Effect of different tax rates on taxable profit in other jurisdictions	**(582)**	**(1%)**	(1,563)	(6%
Non-deductible expenses/non-taxable income	**1,712**	**4%**	845	3%
Foreign operations – foreign currency translation differences	**1,196**	**3%**	(3,245)	(13%
Change in unrecognised deferred tax assets	**(3,623)**	**(8%)**	4,104	17%
Effective income tax expense	**6,741**	**15%**	4,602	19%

(c) Recognised deferred tax assets and liabilities

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

	Assets		**Liabilities**		**Net**	
(in thousands of USD)	**2021**	2020	**2021**	2020	**2021**	2020
Investment property	**314**	286	**(38,925)**	(31,987)	**(38,611)**	(31,701)
Property and equipment	**21**	3	**(5)**	-	**16**	3
Trade and other receivables	**37**	26	**(15)**	(12)	**22**	14
Assets classified as held for sale	**-**	-	**(285)**	(275)	**(285)**	(275)
Trade and other payables	**11**	12	**-**	(17)	**11**	(5)
Short-term borrowings	**4**	2	**-**	(2)	**4**	-
Other long-term payables	**102**	27	**-**	-	**102**	27

Tax loss carry-forwards	**26,304**	26,141	-	-	**26,304**	26,141
Deferred tax assets (liabilities)	**26,793**	26,497	**(39,230)**	(32,293)	**(12,437)**	(5,796)
Offset of deferred tax assets and liabilities	**(26,793)**	(26,497)	**26,793**	26,497	-	-
Net deferred tax Liabilities	-	-	**(12,437)**	(5,796)	**(12,437)**	(5,796)

(d) Movements in recognised deferred tax assets and liabilities

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2021 are as follows:

(in thousands of USD)	**Balance as at 1 January 2021 asset (liability)**	**Change in tax losses carried forward**	**Recognised in profit or loss**	**Recognised in OCI**	**Foreign currency translation adjustment**	**Balance as at 31 December 2021 asset (liability)**
Investment property	**(31,701)**	-	**(5,990)**	-	**(920)**	**(38,611)**
Property and equipment	**3**	-	**13**	-	-	**16**
Trade and other receivables	**14**	-	**7**	-	**1**	**22**
Assets classified as held for sale	**(275)**	-	-	-	**(10)**	**(285)**
Trade and other payables	**(5)**	-	**16**	-	-	**11**
Short-term borrowings	-	-	**4**	-	-	**4**
Other long-term payables	**27**	-	**74**	-	**1**	**102**
Tax loss carry-forwards	**26,141**	-	**152**	**(919)**	**930**	**26,304**
Deferred tax assets (liabilities)	**(5,796)**	-	**(5,724)**	**(919)**	**2**	**(12,437)**

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

(in thousands of USD)	Balance as at 1 January 2020 asset (liability)	Change in tax losses carried forward	Recognised in profit or loss	Recognised in OCI	Foreign currency translation adjustment	Balance as at 31 December 2020 asset (liability)
Investment property	(32,445)	-	(4,738)	-	5,482	(31,701)
Property and equipment	(8)	-	10	-	1	3
Trade and other receivables	(38)	-	48	-	4	14
Assets classified as held for sale	(329)	-	1	-	53	(275)
Trade and other payables	-	-	(5)	-	-	(5)
Short-term borrowings	3	-	(3)	-	-	-
Other long-term payables	(121)	-	146	-	2	27
Tax loss carry-forwards	22,245	-	813	6,784	(3,701)	26,141
Deferred tax assets (liabilities)	(10,693)	-	(3,728)	6,784	1,841	(5,796)

Unrecognised deferred tax assets

Deferred tax assets as at 31 December 2021 have not been recognised in respect of the following items:

(in thousands of USD)	**Balance as at 1 January 2021**	**Change in tax-loss carry forwards**	**Utilisation of previously unrecognised temporary differences**	**Foreign currency translation adjustment**	**Balance as at 31 December 2021**
Tax loss carry-forwards	**11,364**	-	**(3,623)**	**275**	**8,016**
	11,364	-	**(3,623)**	**275**	**8,016**

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

	Balance as at 1 January 2020	Change in tax-loss carry forwards	Utilisation of previously unrecognised temporary	Foreign currency translation adjustment	Balance as at 31 December 2020

(in thousands of USD)			differences		
Tax loss carry-forwards	8,925	4,104 -	-	(1,665)	11,364
	8,925	4,104	-	(1,665)	11,364

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

20 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

(b) Risk management framework

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

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

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

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

(c) Credit risk

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

(i) Trade and other receivables

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

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

There are no balances with customers, which are to be assessed individually as at 31 December 2021
(2020: nil).

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

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

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

As at 31 December 2021, the following table provides information about the exposure to credit risk and ECLs for trade and other receivables:

(in thousands of US dollars)	**Weighted-average loss rate**	**Gross carrying amounts**	**Loss allowance (Note 7)**	**Credit impaired**
Current (not past due)	**0%**	**1,608**	**-**	**NO**
1-30 days due	**1%**	**63**	**-**	**NO**
31-60 days due	**0%**	**5**	**-**	**NO**
61-90 days due	**0%**	**13**	**-**	**NO**
More than 90 days past due	**99%**	**8,350**	**(8,299)**	**YES**
Total		**10,039**	**(8,299)**	

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

(in thousands of US dollars)	Weighted-average loss rate	Gross carrying amounts	Loss allowance (Note 7)	Credit impaired

Current (not past due)	0%	1,132	-	NO
1-30 days due	0%	-	-	NO
31-60 days due	1%	229	-	NO
61-90 days due	0%	10	-	NO
More than 90 days past due	99%	8,622	(8,320)	YES
Total		9,993	(8,320)	

Allowance for impairment of financial assets is as follows:

(in thousands of USD)	**2021**	2020
Allowance for impairment of trade and other receivables (Note 7)	**8,299**	8,320
Allowance for impairment of loans receivable (Note 6)	**11,479**	11,208
Allowance for impairment of financial assets at FVOCI (Note 21(d))	**20,727**	20,727
	40,505	40,255

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

(in thousands of USD)	**2021**	2020
Balance at 1 January	**40,255**	40,185
Impairment loss recognized	**218**	-
Bad debt write-off/recovery	**-**	80
Foreign currency translation differences	**32**	(10)
Balance at 31 December	**40,505**	40,255

(ii) Cash and cash equivalents

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

(d) Capital management

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

(i) Guarantees

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

(ii) Exposure to credit risk

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

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of VAT receivable, prepayments made and other assets amounting in total to USD 2,413 thousand as at 31 December 2021 (2020: USD 5,185 thousand).

(e) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2021:

		Contractual cash flows					
(in thousands of USD)	**Carrying amount**	**Total**	**2 months or less**	**2 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**

Secured bank loans	**44,000**	**46,949**	**1,863**	**21,952**	**5,224**	**17,910**	
Unsecured loans from related parties	**21,822**	**25,498**	**259**	**-**	**25,239**	**-**	
Unsecured loans from third parties	**28,577**	**31,645**	**255**	**-**	**31,390**	**-**	
Trade and other payables	**20,346**	**25,308**	**3,758**	**-**	**-**	**-**	**21,55**
Other liabilities	**39,358**	**41,467**	**-**	**6,725**	**150**	**34,592**	
	154,103	**170,867**	**6,135**	**28,677**	**62,003**	**52,502**	**21,55**

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

(in thousands of USD)	Carrying amount	Contractual cash flows					
		Total	2 months or less	2 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans	46,924	55,868	2,091	21,260	8,856	23,661	
Unsecured loans from related parties	33,050	37,100	294	11,824	2,249	22,733	
Unsecured loans from third parties	25,844	35,102	-	2,596	2,577	29,929	
Trade and other payables	19,042	25,269	3,719	-	-	-	21,55
Other liabilities	35,933	44,416	-	6,380	3,444	34,592	
	160,793	197,755	6,104	42,060	17,126	110,915	21,55

(f) Market risk

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

(i) Currency risk

Group entities operating under the laws of Ukraine

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

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

Exposure to currency risk

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

(in thousands of USD)	**2021**		2020	
	USD	**EUR**	USD	EUR
Cash and cash equivalents	**3**	**569**	3,879	-
Secured bank loans	**(36,313)**	**-**	(38,656)	-
Unsecured loans from related parties	**(259)**	**-**	(244)	-
Trade and other payables	**-**	**(600)**	-	(407)
Net (short)/long position	**(36,569)**	**(31)**	(35,021)	(407)

Sensitivity analysis

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

(in thousands of USD)	**2021**		2020	
	Profit or loss	**Equity**	Profit or loss	Equity
USD	**(2,999)**	**(2,999)**	(2,872)	(2,872)
EUR	**(3)**	**(3)**	(33)	(33)

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

Intra-group borrowings

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

The exposure to foreign currency risk on these borrowings is USD 325,262 thousand and USD 322,247 thousand as at 31 December 2021 and 2020, respectively. The effect of translation of these loans payable by Ukrainian subsidiaries resulted in a foreign exchange gain of USD 10,707 thousand, including tax effect, recognised directly in other comprehensive income for
the year ended 31 December 2021 (2020: foreign exchange loss of USD 49,834 thousand).

A 10 percent weakening of the Ukrainian hryvnia against the USD would have increase other comprehensive loss for the year ended 31 December 2021 and equity as at 31 December 2021 by USD 26,671 thousand (2020: USD 26,424 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

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

Group entities operating under the laws of the Russian Federation

The Group entities, located in the Republic of Crimea and the Russian Federation, are exposed to currency risk on purchases and borrowings that are denominated in a currency other than the Russian Rouble (RUB), primarily the Ukrainian hryvnia (UAH) and U.S. Dollar (USD).

Exposure to currency risk

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

(in thousands of USD)	**2021**		2020	
	USD	**UAH**	USD	UAH
Trade and other payables	**(16,546)**	**(471)**	(15,323)	(410)
Net short position	**(16,546)**	**(471)**	(15,323)	(410)

Sensitivity analysis

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

	2021		2020	
(in thousands of USD)	**Profit or loss**	**Equity**	Profit or loss	Equity
UAH	**(38)**	**(38)**	(33)	(33)
USD	**(1,324)**	**(1,324)**	(1,226)	(1,226)

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

(ii) Interest rate risk

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

Refer to Notes 12, 13 and 15 for information about maturity dates and effective interest rates of fixed rate and variable rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

Profile

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

(in thousands of USD)	**2021**	2020
Fixed rate instruments		
Loans and borrowings	**94,399**	105,818
Other liabilities	**16,532**	32,683
Payables for construction works	**36,114**	15,330
	147,045	153,831
Variable rate instruments		
Loans and borrowings	-	-
	-	-

Fair value sensitivity analysis for fixed rate instruments

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

(iii) Fair values

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

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

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

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

	2021		2020	
	Carrying amount	**Fair value Level 2**	Carrying amount	Fair value Level 2
(in thousands of USD)				
Financial liabilities not measured at fair value				
Non –current				
Secured bank loans	**22,256**	**24,158**	27,293	30,804
Unsecured loans from related parties	**20,343**	**17,926**	21,420	20,049
Unsecured loans from third parties	**27,110**	**25,694**	24,745	24,791
Payables for construction works	**16,554**	**17,291**	15,330	18,082
Deferred consideration	**34,592**	**34,898**	31,305	31,376
Other long-term liabilities	**150**	**150**	157	157
	121,005	**120,117**	120,250	125,259
Current				
Secured bank loans (current portion of long-term bank loans)	**21,744**	**23,578**	19,631	23,189
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**1,479**	**1,480**	11,630	11,108
Unsecured loans from third parties	**1,467**	**1,400**	1,099	1,141
Deferred consideration	**1,522**	**1,536**	1,369	1,381
	26,212	**27,994**	33,729	36,819
	147,217	**148,111**	153,979	162,078

Management believes that for all other financial assets and liabilities, not included in the table above, the carrying value approximates the fair value as at 31 December 2021 and 2020. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date. The estimated fair value is categorised within Level 2 of the fair value hierarchy.

21 Commitments and contingencies

(a) Pledged assets

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

(in thousands of USD)	**2021**	2020
Investment property (Note 5(a))	**204,700**	160,500
Bank balances (Note 9)	**1,958**	212

	206,658	160,712

As at 31 December 2021 and 31 December 2020, the Group has also pledged the following:

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

(b) Construction commitments

The Group entered into contracts with third parties to construct two shopping centres in Kyiv and a shopping centre in Odesa for the amount of USD 57,998 thousand as at 31 December 2021
(2020: USD 53,255 thousand).

(c) Operating lease commitments

The Group as lessor

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

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

(in thousands of USD)	**2021**	2020
Less than one year	**5,484**	5,470
Between one and two years	**1,786**	1,759
Between two and three years	**1,082**	1,345
Between three and four years	**991**	862
Between four and five years	**551**	801
More than five years	**-**	509
	9,894	10,746

(d) Litigations

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

(i) Legal case in respect of Assofit Holdings Limited

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

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

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

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

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

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

As at 31 December 2021 and 2020, the Group holds 49.97% of nominal voting rights in Assofit without retaining significant influence. In prior years' consolidated financial statements of the Group until 31 December 2013, investment in Assofit was recognised in the statement of financial position as available for-sale financial asset at its carrying amount of USD 20,727 thousand. Due to loss of the legal control over the major operating asset being the Sky Mall shopping centre in September 2014, the investment in Assofit is fully impaired as at 31 December 2021 and 2020.

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

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

(e) Taxation contingencies

(i) Ukraine

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

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

(ii) Republic of Crimea

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

(iii) Russian Federation

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

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

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

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

(iv) Republic of Cyprus

Operations of the Group in Cyprus are mainly limited to provision of intra-group financing, transactions related to Assofit legal case (note 21 (d)(i)) and various management activities. Transactions performed by the Cyprus entities of the Group fall within the jurisdiction of Cyprus tax authorities. The Cyprus tax system can be characterized by numerous taxes, legislation may be applied retrospectively, open to wide interpretation. VAT and income tax declarations are subject to review and investigation by authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the Tax department during the six subsequent calendar years, however under certain circumstances a tax year may remain open longer.

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

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

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

22 Related party transactions

(a) Control relationships

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

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

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the statement of profit or loss and other comprehensive income for the year ended 31 December 2021 is represented by salary and bonuses of
USD 599 thousand (2020: USD 493 thousand).

Director's interests

The direct and indirect interest of the members of the Board in share capital of the Company as at
31 December 2021 and 31 December 2020 and as at the date of signing of these consolidated financial statements is as follows:

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

(c) Transactions and balances with entities under common control

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

(in thousands of USD)	**2021**	2020
Short-term loans receivable	**11,479**	11,208
Trade receivables	**1**	1
Other receivables	**8,160**	8,160
Provision for impairment of trade and other receivables and loans receivable from related parties	**(19,637)**	(19,366)
	3	3
Long-term loans and borrowings	**20,344**	21,420
Short-term loans and borrowings	**1,479**	11,630
Trade and other payables	**214**	218
Advances received	**27**	24
Other liabilities	**-**	-
	22,064	33,292

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

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

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

(in thousands of USD)	**2021**	2020
Interest expense	**(2,913)**	(3,041)

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

23 Subsequent events

Subsequent to the reporting date, the Group received a new tranche of USD 6,720 thousand according to one of the open credit lines.

Subsequent to the reporting date, starting from 24 February 2022, the Russian Federation launched military aggression in Ukraine and hostilities in certain areas. These ongoing activities have led to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine and overall significant disruption to economic activity in Ukraine. This has had a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. The impact of these events on the business operations of the Group are described in Note 2(e).

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