THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document dated 6 September 2013 is an admission document required by the rules of AIM, a market operated by the London Stock Exchange plc (the "London Stock Exchange"). This document does not constitute an offer to the public in accordance with the provisions of Section 85 of the Financial Services and Markets Act 2000 ("FSMA") as amended by the Prospectus Regulations 2005 and is not a prospectus as defined in the AIM Rules for Companies ("AIM Rules"). Accordingly, this document has not been and will not be examined or approved by the Financial Conduct Authority in accordance with such rules. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Smith & Williamson Corporate Finance Limited, 25 Moorgate, London, EC2R 6AY, United Kingdom for a period of one month from the date of Admission (as defined below).

The Company and its Directors, whose names appear on page 9 of this document, accept responsibility, individually and collectively, for all of the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Application has been made to the London Stock Exchange for the ordinary shares (the "Ordinary Shares") of the Company (issued and to be issued) to be admitted to trading on AIM ("Admission").

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should take the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. It is expected that Admission will take place, and dealings in the Ordinary Shares will commence on AIM, on 12 September 2013.

The whole of this document should be read and, in particular, your attention is drawn to the section entitled "Risk Factors" in Part IV of this document.

Arricano Real Estate PLC

(Incorporated and registered in Cyprus under the Companies Law, Cap 113 of Cyprus with registered number HE 221186)

Admission to trading on AIM of 103,270,637 ordinary shares of EUR0.0005 each at US$2.33 per share

Nominated Adviser and Broker

Smith & Williamson Corporate Finance Limited

Share Capital immediately following Admission

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
106,000,000	EUR 53,000	ordinary shares of EUR0.0005 each	103,270,637	EUR 51,635

Smith & Williamson Corporate Finance Limited, which is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting exclusively for the Company and no one else in connection with the proposed Admission. Smith & Williamson Corporate Finance Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Smith & Williamson Corporate Finance Limited or for providing advice in relation to the transactions and arrangements detailed in this document for which the Company and the Directors are solely responsible. The responsibilities of Smith & Williamson Corporate Finance Limited as the Company's nominated adviser and broker for the purposes of the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company, any Shareholder or any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. Smith & Williamson Corporate Finance Limited is not making any representation or warranty, express or implied, as to the contents of this document and, accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by it for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person in any jurisdiction in which such an offer or solicitation is unlawful. In particular, the Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable laws of any of other Restricted Territories (as defined herein) and, may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or to any national, resident or citizen of other Restricted Territories. The Ordinary Shares are being offered and sold outside the United States in accordance with Regulation S. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States (or any of its territories or possessions), other Restricted Territories, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

Under Ukrainian law, the Ordinary Shares are securities of a foreign issuer. The Ordinary Shares are not eligible for initial offering and public circulation in Ukraine. Neither the issue of the Ordinary Shares nor a securities prospectus in respect of the Ordinary Shares has been, or is intended to be, registered with the State Commission for Securities and Stock Markets of Ukraine. The information provided in this document is not an offer, or an invitation to make offers to sell, exchange or otherwise transfer the Ordinary Shares in Ukraine.

This document and the Placing (as defined herein) fall within the meaning of Article 3 of Prospectus Directive 2003/71/EC as amended by Directive 2010/73/EC (the "Prospectus Directive") and therefore do not need to comply with the requirements of the Prospectus Directive and do not require approval from the Cyprus Securities and Exchange Commission. This document does not constitute an offer to the public in accordance with the Companies Law of Cyprus and therefore does not need to be filed with the Cyprus registrar of companies.

The Ordinary Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid in the ordinary share capital of the Company and will rank *pari passu* in all other respects with the existing issued ordinary shares of the Company.

CONTENTS

FUNDRAISING STATISTICS

Number of Ordinary Shares in issue before the Placing	64,620,000
Number of Placing Shares	10,300,423
Number of Acquisition Shares	28,350,214
Number of Ordinary Shares in issue following the Placing and the Acquisition	103,270,637
Placing Shares expressed as a percentage of the Increased Issued Share Capital	9.97%
Acquisition Shares expressed as a percentage of the Increased Issued Share Capital	27.45%
	US$
Placing Price per Ordinary Share	2.33
Gross proceeds of the Placing	24 million
Estimated expenses of Admission payable by the Company	1,000,000
Market capitalisation of the Company at the Placing Price on Admission	240.62 million

EXPECTED ADMISSION TIMETABLE

Publication of this document	6 September 2013
Admission effective and expected commencement of dealings in the Ordinary Shares on AIM	8.00 a.m. on 12 September 2013
CREST accounts credited with Depositary Interests (as applicable)	12 September 2013
Expected date of despatch of definitive share certificates (as applicable)	by 19 September 2013

Note: All times are London times and each of the times and dates are subject to change.

DEFINITIONS

"Acquisition"	the acquisition of the Development Properties pursuant to the Share Purchase Agreements
"Acquisition Shares"	the 28,350,214 Ordinary Shares issued pursuant to the Share Purchase Agreements
"Admission"	admission of the Ordinary Shares, issued and to be issued pursuant to the Placing and the Acquisition, to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the rules of the London Stock Exchange from time to time which govern the admission to, trading on and the operation of AIM
"Arricano Development"	LLC Arricano Development, a subsidiary of the Company
"Arricano Property Management"	LLC Arricano Property Management, a subsidiary of the Company
"Arricano Real Estate"	LLC Arricano Real Estate, a subsidiary of the Company
"Articles"	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part XIV of this document
"Assofit"	Assofit Holdings Limited, incorporated and registered in Cyprus under the Cyprus Company Law with registered number HE 220610
"Board" or "Directors"	the board of directors of the Company, including a duly constituted committee thereof, set out on page 9 of this document
"CBD"	central business district
"CBRE Valuation Report"	the valuation report of the Operating Properties and Development Properties, prepared by the Property Valuer, set out in Part XIII of this document
"CBRE Valuation"	the valuation of each, and, where the context permits, all, of the Operating Properties and the Development Properties as set out in the CBRE Valuation Report
"CEE"	Central and Eastern Europe
"Certificated form"	recorded on the register of Ordinary Shares as being held in certificated form (that is, not in CREST)
"CIS"	Commonwealth of Independent States
"City Code"	the City Code on Takeovers and Mergers
"Company"	Arricano Real Estate plc, incorporated and registered in Cyprus under the Cyprus Companies Law with registered number HE 221186 and, where the context permits, its subsidiaries
"CREST"	the relevant system (as defined in the Uncertified Securities Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form

"CREST Regulations" or "Uncertificated Regulations"	the Uncertificated Securities Regulations 2001, as amended
"CREST Rules"	the arrangements for the indirect holding of, and the settlement of transactions in, Ordinary Shares as set out in the CREST Manual
"Cyprus"	the Republic of Cyprus
"Cyprus Companies Law"	the Companies Law, Cap 113, of Cyprus as amended from time to time
"Deed Poll"	the document containing the provisions which are binding on all holders of Depositary Interests
"Deferred Consideration"	the deferred consideration of not more than US$20 million to be paid by the Company pursuant to the Share Purchase Agreement for the Lukianivka development property
"Depositary"	Computershare Investor Services plc
"Depositary Interests"	the dematerialised depositary interests issued by the Depositary in respect of and representing on a one-for-one basis Ordinary Shares held by the Depositary
"Development Properties"	the Prospect/Krasnotkatska development property, the Petrivka development property, the Rozumovska development property and the Lukianivka development property
"DUPD"	Dragon-Ukrainian Properties and Development plc
"ECB"	the European Central Bank
"Existing Shares"	the 64,620,000 Ordinary Shares in issue fully paid, prior to the Placing and the Acquisition
"EU"	the European Union
"EUR"	the Euro, the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the EC Treaty
"Euroclear UK & Ireland" or "Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Financial Conduct Authority" or "FCA"	the UK Financial Conduct Authority
"FSMA"	the UK Financial Services and Markets Act 2000 (as amended)
"GDP"	gross domestic product
"GLA"	Gross Leasable Area is the gross internal floor space available to be rented for tenant occupancy for exclusive use
"Gross Return"	consolidated gross rental income relative to investments
"Group" or "Arricano"	the Company and its subsidiaries from time to time
"IMF"	the International Monetary Fund
"Increased Issued Share Capital"	the issued share capital of the Company on Admission, including the Existing Shares, the Placing Shares and the Acquisition Shares

"Issued Share Capital"	the issued share capital of the Company, prior to the Placing and the Acquisition
"Key Shareholders"	certain holders of Ordinary Shares, prior to the Placing and the Acquisition, comprising the investment vehicles of Hillar Teder (including RRE, SRE and Vunderbuilt) and DUPD
"London Stock Exchange"	London Stock Exchange plc
"Lukianivka"	development property located on the land plot of 4.1422 hectares (ha), cadastre number 8000000000:91:146:0009, located on the intersection of 5-7 and 7a Degtyarivska Street and 12 and 12a Kopernyka Street in the Shevchenkivskyi district of Kyiv, and leased by Budkhol LLC on the basis of a land lease agreement dated 9 November 2004 (registered on 17 November 2004 with the Chief Department of Land Resources of the Executive Body of the Kyiv City Council (the Kyiv Municipal State Administration) under No. 91-6-00371)
"Memorandum"	the memorandum of association of the Company
"Net Asset Value" or "NAV"	the net asset value of the Company from time to time
"Net Asset Value per Share" or "NAV per share"	the Net Asset Value divided by the number of Ordinary Shares in issue from time to time
"NOI"	Net Operating Income
"Nominated Adviser", "Nomad", "Broker" or "Smith & Williamson"	Smith & Williamson Corporate Finance Limited in its capacity as nominated adviser to the Company for the purposes of the AIM Rules
"Nominated Adviser and Broker Agreement"	the agreement dated 5 September 2013 between the Company and Smith & Williamson
"OECD"	the Organisation for Economic Co-operation and Development
"Official List"	the Official List of the UK Listing Authority
"Operating Properties"	the properties owned and operated by the Group (including any proposed developments thereof) comprising Sun Gallery, City Mall, South Gallery and M26/RayON
"Ordinary Shares" or "Shares"	ordinary shares of EUR0.0005 each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"Petrivka"	the development property located on the land plot of 5.4149 ha, cadastre number 8000000000:78:098:0020, located in the City of Kyiv, Intersection of Layosha Havro Str. and Moskovskyi Ave. in the Obolonskyi district, Ukraine and leased under a lease agreement dated 23 June 2004, registered with the Chief Department for Land Resources of the Executive Body of the Kyiv City Council (the Kyiv Municipal State Administration) on 23 July 2004 under No. 78-6-00184
"Placee"	a person and/or entity subscribing for Placing Shares pursuant to the Placing

"Placing"	the Placing of 10,300,423 Ordinary Shares at the Placing Price pursuant to the Placing Agreement, as further described in Part VII of this document
"Placing Agreement"	the conditional agreement dated 5 September 2013 between the Company, the Directors and Smith & Williamson relating to the Placing and Admission, as described in Part VII of this document
"Placing Price"	US$2.33 per Placing Share
"Placing Shares"	10,300,423 Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing
"Property Valuer"	each, and, where the context permits, both, of CBRE Limited and Expandia LLC
"Prospect/Krasnotkatska"	the development property located on the land plot of 5.7882 ha, cadastre number 8000000000:62:068:0046, located on the intersection of Krasnogvardeyska Street and Krasnotkatska Street, Kyiv, and leased on the basis of a land lease agreement dated 26 February 2010 (registered with the Chief Department of Land Resources of the Executive Body of the Kyiv City Council (the Kyiv Municipal State Administration) on 5 March 2010 under No. 62-6-00550)
"Restricted Territories"	the United States, Australia, Canada, Japan and South Africa
"Rozumovska"	the development property located on the following land plots in Odesa, which are used by PbJSC "ATP-15106" on the basis of a state act for continuous use: (a) cadastre number 5110137300:18:009:0001 (2.998 ha), located at 48 Serednya Street; (b) cadastre number 5110137300:18:009:0005 (0.5527 ha), located at 51 Rozumovska Street; and (c) cadastre number not assigned or registered (0.9718 ha), located at 55 Rozumovska Street
"RRE"	Retail Real Estate S.A.
"SEE"	South Eastern European countries
"Share Purchase Agreements"	the four agreements dated 5 September 2013 entered into between the Company and Vunderbuilt pursuant to which the Company has acquired the shares in the holding companies of the Development Properties, conditional only on Admission, as described in Part XIV of this document
"Shareholders"	holders of Ordinary Shares
"SPV"	special purpose vehicle
"SRE"	Sigma Real Estate Limited
"Sterling", "£" or "GBP"	pounds sterling, the lawful currency of the United Kingdom
"Stockman"	Stockman Interhold S.A.

"subsidiary"	a company shall be deemed to be a subsidiary of another if, but only if, that other company is either a member of it and controls the composition of its board of directors or holds the majority of the voting rights thereof or is a member of it and holds the majority of the voting rights of its members by virtue of an agreement concluded with the other members thereof
"Tax Treaty"	the Convention between the Government of Cyprus and the Government of the USSR for the Avoidance of Double Taxation of Income and Property, dated 29 October 1982
"UAH"	Ukrainian Hryvnia, the lawful currency of Ukraine
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Dollar", "USD" or "US$"	the lawful currency of the United States and the reporting currency of the Company
"USSR"	the Union of Soviet Socialist Republics
"Vunderbuilt"	Vunderbuilt S.A., a company incorporated under the laws of the Luxembourg, with registered number B109261 and having its registered office at 23, Rue Beaumount, L-1219, Luxembourg, Grand Duchy of Luxembourg
"Weather Empire"	Weather Empire Limited, a company incorporated under the laws of the British Virgin Islands, with registered number 1633984 and having its registered office at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands

DIRECTORS AND ADVISERS

Directors

Rupert Cottrell – *Non-executive Chairman**
Emil Budilovsky – *Chief Executive Officer*
Philip Scales – *Non-executive Director**
Michael Zampelas – *Non-executive Director**
Hillar Teder – *Non-executive Director*
Volodymyr Tymochko – *Non-executive Director*
All of the Company's registered office below
* Denotes an independent director

Company Secretary
Montrago Services Limited
195 Makarios III Avenue
Neocleous House
3030 Limassol
Cyprus

Registered Office
195 Makarios III Avenue
Neocleous House
3030 Limassol
Cyprus

Nominated Adviser and Broker
Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY
United Kingdom

Legal Adviser to the Nomad (UK)
CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London EC1A 4DD
United Kingdom

Legal Adviser to the Company (UK)
Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

Legal Adviser to the Nomad (Ukraine)
CMS Cameron McKenna LLC
6th Floor
38 Volodymyrska Street
01034 Kyiv
Ukraine

Legal Adviser to the Company (Ukraine)
Vasil Kisil & Partners
17/52-A B. Khmelnytskogo Street
01030 Kyiv
Ukraine

Legal Adviser to the Nomad (Cyprus)
Harneys
Aristodemou Loizides Yiolitis LLC
Loucaides Building, 2nd Floor
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P.O. Box 50264
3036 Limassol
Cyprus

Legal Adviser to the Company (Cyprus)
Stelios Americanos & Co LLC
48 Themistokli Dervi Avenue
Athienitis Centennial Building
1066 Nicosia
Cyprus

Reporting Accountants
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25 Farringdon Street
London EC4A 4AB
United Kingdom

Auditors
KPMG Limited
11, June 16th 1943 Street
3022 Limassol, Cyprus
P.O. Box 50161
3601 Limassol, Cyprus

Property Valuer (UK)
CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB
United Kingdom

Registered address
St Martin's Court
10 Paternoster Row
London EC4M 7HP
United Kingdom

Property Valuer (Ukraine)
Expandia LLC (formerly CB Richard Ellis LLC)
4 M. Hrinchenka St
03680 Kyiv
Ukraine
(part of the CBRE affiliate network)

Share Registrar
Cymain Registrars Limited
26 Vyronos Avenue
1096 Nicosia
Cyprus

Depositary
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom

PART I

Key Information

The following is derived from, and should be read in conjunction with, the full text of this document and prospective investors should read the whole document and not just rely on the key information set out below. In particular, attention is drawn to Part IV of this document, which is entitled "Risk Factors".

Background

Arricano is one of the leading real estate developers in Ukraine and specialises in operating shopping centres. The Group has a strong management team, which consists of local as well as international experts with long standing track records in real estate.

The Group currently owns and operates (or, in the case of Sky Mall, has an interest in) five shopping centres in Ukraine with approximately 160,000 sq. m GLA. The properties are located in the capital Kyiv (Sky Mall and M26/RayON), Kryvyi Rih (SEC Sun Gallery), Zaporizhzhia (SC City Mall) and Simferopol (SC South Gallery). All of these properties were developed and put into operation by the Group and, with the exception of the Sky Mall property that is co-owned with a joint venture partner, all of the properties are managed by the Group's property management team.

The Opportunity

The Group's business is anchored by an existing cash-producing core business of operating portfolio properties with, in the Directors' opinion, relatively low-level downside risks for occupancy and rent levels.

The Directors believe that the Group is well positioned for future growth through the further development and extension of its existing projects and the acquisition of an attractive pipeline of projects for development in Kyiv and Odesa subject only to Admission (Please refer to "Pipeline of Development Properties", in this Part I and "Portfolio—Development Properties" in Part III. In addition, the Group has strong banking relationships with many financial institutions active in the Ukrainian market.

Selected Financial Information

	Audited For the year ended 31 December 2010 US$'000	*Audited For the year ended 31 December 2011[(1)] US$'000*	*Audited For the year ended 31 December 2012 US$'000*	*Unaudited For the six months ended 30 June 2013 US$'000*
Revenue	14,466	16,356	16,421	12,151
Revaluation (loss)/gains	54,491	12,943	26,893	(1,689)
(Loss)/gain from operating activities	59,244	19,085	22,573	(62)
Net (loss)/profit	43,009	7,988	19,823	(3,514)
Total assets	414,171	210,786	250,083	264,582
Total liabilities	(285,138)	(96,097)	(115,515)	(133,531)
Net (liabilities)/assets	129,033	114,689	134,568	131,051

Note:

(1) The results for 2011 include five months of Sky Mall consolidation prior to the loss of control of the investment on 9 June 2011 (see Note 4 of the Historical Financial Information on the Group set out in Section B of Part VIII).

Competitive Strengths

- Strong market position with a modern, flexible and diversified portfolio
- The Company's ability to secure debt financing
- Strategic and geographically diverse network of shopping centres
- Established network of core international and domestic tenants
- Experienced management team
- Strong corporate governance
- Strong relationships in the real estate sector

Strategy

- Sustaining the Group's strong position in the Ukrainian real estate market
- Offering different retail formats to complement the needs of various markets
- Expanding into regional markets
- Continued expansion of the Company's portfolio
- Diversifying both debt and equity funding sources

Fundraising and Acquisition

The Company has raised net proceeds in the amount of approximately US$23 million through the Placing. The estimated net proceeds of the Placing are calculated based on the gross proceeds of the Placing, which amounted to approximately US$24 million, less the estimated expenses relating to Admission of approximately US$1 million. The Group intends to use the net proceeds of the Placing to continue the development of its existing portfolio of operating assets, as well as the new properties acquired pursuant to the Acquisition, and to fund future short-term working capital requirements.

On 5 September 2013, the Company entered into the Share Purchase Agreements with Vunderbuilt pursuant to which the Company has agreed to acquire the shares of the special purpose vehicles that own the Development Properties, subject only to Admission. In addition, Vunderbuilt has agreed to assign to the Company (or procure the assignment to the Company of) the benefit of certain loans made by Vunderbuilt, RRE and/or Filgate Credit Enterprise Limited to the companies being acquired pursuant to the Share Purchase Agreements. In consideration for the Development Properties, the Company will issue 28,350,214 Ordinary Shares to Vunderbuilt on Admission, equivalent to an aggregate value of approximately US$66 million at the Placing Price. In addition, the Company has also agreed to pay Deferred Consideration in respect of the acquisition of the shares in Wayfield Limited by way of a cash payment of not more than US$20 million to Bytenem Limited (a company under the same ultimate beneficial control as Vunderbuilt). Payment of the Deferred Consideration must be settled by not later than 30 April 2014 except that, at the sole discretion of the Board, payment of up to US$10 million of the Deferred Consideration may be further deferred to a date not later than 30 April 2015. The Company will be liable to pay interest on any Deferred Consideration outstanding quarterly in arrears at a rate of 9.75 per cent. per annum.

Portfolio of Operating Properties

Sun Gallery (Kryvyi Rih) – The biggest shopping mall in Kryvyi Rih, with a total GLA of approximately 35,000 sq. m., spanning two levels with approximately 80 gallery tenants, a children's entertainment zone, a food court with restaurants and cafes, the electronics store Comfy and the hypermarket Auchan as anchor tenants.

City Mall (Zaporizhzhia) – One of the biggest shopping centres in Zaporizhzhia, with a total GLA of approximately 21,400 sq. m. on a single level, comprising a gallery with approximately 80 international and local tenants, a food court with restaurants and cafes, a children's entertainment zone, and parking facilities (which are shared with DIY superstore Epicenter).

South Gallery/Yuzhnaya Gallereia (Simferopol) – The property consists of the South Gallery shopping centre (Phases I and II) with a total estimated GLA of approximately 32,800 sq. m. which stands on a land plot with a total area of 10.2 ha. Phase I (with a GLA of approximately 13,000 sq. m) of the shopping centre has been completed and is currently in operation. The concept of Phase II envisages the development of the mall into a regional destination shopping centre.

M26/RayON (Kyiv) – Opened to the public in August 2012, with a GLA of approximately 24,100 sq. m. on two levels. RayON is a district shopping centre, which focuses on food, clothing and convenience products.

Investment Property

Sky Mall (Kyiv) – One of the largest shopping centres in Kyiv with a total GLA (Phases I and II) of approximately 68,000 sq. m., spanning three levels with a cinema, children's and entertainment zone, food court, hypermarket and gallery shops. The Company currently owns only 49.97 per cent. of the holding company of the asset and continues to investigate the possibility of acquiring the remaining share of the holding company of Sky Mall from the current co-owner. The possible development of a third phase is expected to add a further GLA of approximately 46,000 sq. m., depending on the feasibility of such development.

Portfolio of Development Properties

The Company has acquired, conditional only upon Admission, the following Development Properties: Prospect/Krasnotkatska (Kyiv), Petrivka (Kyiv), Rozumovska (Odesa) and Lukianivka (Kyiv). The Directors believe that the acquisition of these Development Properties is crucial to the Company's expansion plans. The Development Properties, as described in the section entitled "Portfolio – Development Properties" in Part III of this document, are in various stages of development, with the Prospect/Krasnotkatska development property project being the most advanced (the framework of this project has reached the first floor). The Share Purchase Agreements provide that these four Development Properties will be acquired through the purchase of the shares in the SPVs that own them, in consideration for the issue of 28,350,214 Ordinary Shares (with a value of approximately US$66 million at the Placing Price) and the Deferred Consideration.

Board of Directors

Rupert Cottrell – *Non-executive Chairman**
Emil Budilovsky – *Chief Executive Officer*
Philip Scales – *Non-executive Director**
Michael Zampelas – *Non-executive Director**
Hillar Teder – *Non-executive Director*
Volodymyr Tymochko – *Non-executive Director*

*Denotes independent director

Risk Factors

An investment in the Shares involves a high degree of risk. Therefore, prior to investing in the Shares, prospective investors should consider carefully the risks associated with an investment in the Shares, the business and the industry in which the Group operates, together with all of the other information contained in this document including the risk factors described in Part IV of this document, a selection of which are set out below.

- A number of risks, including the lack of adequate financing, the reliability of contractors, problems with obtaining relevant permits and administrative approvals or challenges to ownership interests or land rights may negatively impact the Group's ability to complete its proposed Development Projects.

- A series of events, including arbitration and litigation proceedings, are affecting the relationship between the Company and its joint venture partner on Sky Mall which, in turn, may affect the value of the Company's investment in the asset.
- If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.
- The Company and its management may not be able to execute the Group's growth plans.
- The Group may be affected by a number of real estate sector risks in relation to its properties, such as the illiquidity in the property market and risks associated with development, construction, infrastructure, the environment and insurance.
- Ukraine is an emerging market and its economic, political and social conditions, as well as the impact of legislation and governmental regulation, may negatively impact the Group.
- Investments in AIM quoted securities carry a higher risk than those listed on a regulated market.

PART II

Information on the Company and the Group

Certain information contained in this section has been sourced from information published by third parties. The Company believes that this information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Group Background

The Company is the ultimate parent company of the Group. The Company was incorporated in 2008 with the main objective of developing and operating shopping centres in Ukraine. The Company's various subsidiaries have been active in the Ukrainian market since 2005 as subsidiaries of the current majority shareholder, Retail Real Estate S.A.

The Group is one of the leading real estate developers in Ukraine and specialises in operating shopping centres. The Group has a strong management team, which consists of local as well as international experts with long standing track records in real estate.

The Group currently owns and operates (or, in the case of Sky Mall, has an interest in) five shopping centres in Ukraine with a total GLA of approximately 160,000 sq. m. The properties are located in the capital Kyiv (Sky Mall and M26/RayON), Kryvyi Rih (SEC Sun Gallery), Zaporizhzhia (SC City Mall) and Simferopol (SC South Gallery). All of these properties have been developed and put into operation by the Group and, with the exception of the Sky Mall property that is co-owned with a joint venture partner, all of the properties are managed by the Group's property management team.

The Group has approximately 117 employees in various capacities, who are responsible for the development and management of the Group's assets. In addition, external service providers are engaged in the day-to-day servicing of the Group's assets, such as cleaning, security and maintenance activities.

The Company is engaged in the full cycle of retail real estate development, from the acquisition of land plots for development to the delivery and operation of shopping centres.

Group Structure

The Group's activities are structured around three key activities: investment, development and property management. The Group's investment activities are supported by its development and property management activities. The key features of these activities are as follows:

General Management: The Group's principal subsidiary in relation to the administration and project management of the shopping malls is Arricano Real Estate LLC. The Company contains the relevant senior key management, finance, legal and other appropriate staff functions as well as additional departments that provide services for both the development and property management divisions, including leasing and marketing.

The role of the leasing team is twofold: (i) sourcing tenants for projects in the development and construction phase; and (ii) the on-going management of tenancies in the operating assets in order to ensure maximum occupancy and an optimal tenant mix. It is the responsibility of the leasing team to secure lease commitments from the tenants at optimal rental levels, depending on market conditions.

The marketing department provides support for commercial activities through promotional activities, for both operating assets and projects under development. The department is also responsible for co-ordinating and managing advertising, which generates further revenues for the Group.

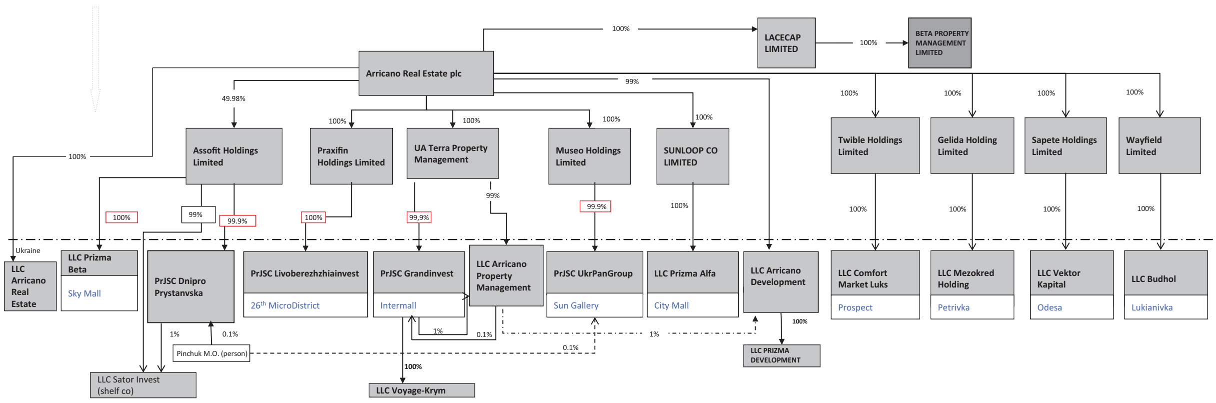
Arricano Real Estate LLC also contains the Group's general management team, which is responsible for the Group's investment activities and related management of the Group's assets. All of the Group's projects are owned via intermediary Cypriot-incorporated entities. (See Figure 1)

Development: The real estate development arm of the Group is led by Arricano Development LLC, which employs a team of professionals to manage developments from their initial acquisition until completion, at which time the developments are handed over to the property management team. In-house capabilities include design implementation supervision, project management, procurement management and construction management. The development and construction team includes approximately 25 staff with broad experience in a range of international real estate markets.

Property management: The income-generating properties are managed and operated through Arricano Property Management LLC, which is responsible for a property once it has been commissioned. It aims to achieve and maintain an optimal tenant mix, customer satisfaction and stable growth of sales and rental revenue for each property by applying property management practices in accordance with generally accepted international standards and by working closely with the leasing and marketing teams.

The property management team monitors, assesses and compares the data generated from the asset portfolio, which in turn is used for optimising and producing tailor-made marketing and promotional activities for each shopping centre.

Figure 1 – Corporate structure of the Group



Note: As at the date of this document, the acquisition of each of the holding companies of the Development Properties (pursuant to the Share Purchase Agreements) has not completed. Please see Part XIV for additional details.

The Opportunity

The Group's business is anchored by an existing cash-producing core business of operating portfolio properties with, in the Directors' opinion, low-level downside risks for occupancy and rent levels.

The Directors believe that the Group is well positioned for future growth through the further development and extension of its existing projects and the acquisition of an attractive pipeline of projects for development in Kyiv and Odesa subject only to Admission (Please refer to "Pipeline of Development Properties" in this Part II). In addition, the Group has strong banking relationships with many financial institutions active in the Ukrainian market.

Despite the overall uncertainty in the current global economic environment, the Directors believe that there is still potential for growth in the emerging markets of Eastern Europe, particularly in those sectors in which the markets remain structurally undersupplied. Industry experts such as Colliers International, DTZ and CBRE consider Ukraine to have a relatively low saturation of retail space (based on perceived demand versus supply for quality retail space) compared to other European countries generally.

Competitive Strengths

Strong market position with a modern, flexible and diversified portfolio

The Group has demonstrated a consistent and successful track record operating in Ukraine, unlike many international participants that have entered the Ukrainian market and domestic competitors. The Group has commissioned a project every year since 2007, despite the economic slowdown that has affected the global economy since 2008, and has entered into the Share Purchase Agreements (subject only to Admission) to acquire the four additional Development Properties.

The Group has projects in several large Ukrainian cities, all of which are modern properties that, in the Directors' opinion, provide an international retail experience for both tenants and consumers. Many of the Group's competitors' projects across the country are relatively dated, stand-alone projects and potentially suffer from a lack of flexibility with regard to expansion and upgrades. South Gallery is being expanded and Sky Mall has potential for further expansion.

The Group's retail tenants represent many of the international brands that are present in the Ukrainian market, whether through direct ownership or regional franchises, as well as leading national brands. International retailers include LPP (a.o. Reserved), Inditex Group, Fiba (Marks and Spencer), New Yorker, Benetton and Topshop. Leading national brand tenants include Brocard, Comfy, Intertop and Sportmaster. A key driver in each of the Group's projects has been securing strong anchor tenants. At present Auchan, a leading international hypermarket brand, is the anchor tenant in three out of the Group's five projects. Furshet, a leading Ukrainian supermarket chain of which Auchan is a shareholder, is the anchor tenant at the fourth project and the RayON shopping centre in Kyiv is anchored by a supermarket, Silpo, the main brand of leading Ukrainian retailer Fozzy Group.

The Company's ability to obtain debt financing

Since 2008, it has been difficult to obtain financing due to the global economic crisis especially due to the freezing of credit markets and the unavailability of financing to support transactions. However, the Company has been successful in attracting the necessary debt financing to progress its development. For example, the Group recently secured a US$28.8 million term loan facility. See paragraph 11.1 of Part XIV for further details.

Strategic and geographically diverse network of shopping centres

Arricano is one of the few developers of shopping and entertainment centres in Ukraine that operates a network of projects. The Company anticipates that its expanding network of shopping centres will help secure its long-term profitability as the Ukrainian retail market matures. This network will allow the Company to act as a platform for international retailers entering the market who wish to gain a wide geographical exposure in Ukraine in key, well populated areas.

Established network of core international and domestic tenants

Ukraine has a large population, which is concentrated in urban centres and certain regions. The tenant market is not exclusively dominated by any one player in any given sector. As a result, the Company has some scope to select the most appropriate mix of tenants for each of its projects. The Group attempts to use this to optimise its tenant mix, relative to its catchment area. For instance, Sky Mall offers a premium retail experience to the relatively affluent citizens of Kyiv, whereas Sun Gallery aims to provide a more economical offering.

Experienced management team

The Group's senior management team combines extensive industry and market experience (of both private and publicly listed companies) with financial and management expertise, and its members have been involved with the real estate industry for, on average, more than 10 years. The Group's experienced in-house management team is dedicated to managing all of the internal processes of the Group and the whole process of setting up and running a centre from the initial selection and acquisition of sites to the operation of completed projects. The Group has developed, and continues to refine, a management structure that is focused on enhancing accountability and decision making processes. The team consists of local Ukrainian and international managers, all with significant experience and familiarity with Ukrainian and international real estate markets.

Strong corporate governance

The Group intends to maintain high standards of corporate governance and transparency throughout all of its activities and communications. The Company has assembled a strong Board comprised of individuals who together have relevant sector experience as well as prior experience on boards of publicly listed companies. The Board is responsible for key decisions relating to the Group's activities, including approval of the Group's long-term business strategy and annual business plans. The Board comprises of seven Directors details of whom, together with details of the relevant sub-committees, are set forth in Part VI of this document.

Strong relationships in the real estate sector

Given the relationship driven nature of business in the commercial real estate market, the Group makes efforts to maintain positive relationships with all the relevant key players in this market, including planning authorities, architects and engineers, contractors, commercial brokerage and consultancy agencies, banks, financial institutions and retailers. This is important in helping the Group to obtain all relevant permits and approvals promptly and to complete projects within budget, on time, with a good tenant mix and with high rates of occupancy.

Strategy

Sustaining the Group's position in the Ukrainian real estate market

The Company intends to benefit from its position as one of the leading retail real estate developers in Ukraine, with an integrated structure. The Group is focused on further strengthening its position as a leading developer and investor in the Ukrainian retail market by extending its network of shopping centres, especially in Kyiv. The Development Properties should provide more critical mass and balance to the portfolio of the Group and the Directors believe that the Placing will help facilitate the future growth of the Group, particularly, the expansion of the Company's activities in Kyiv, which is the most attractive location in Ukraine for shopping centre developments in terms of the disposable income of its population and retail turnover.

The Directors believe that this short- to medium-term strategy will give the Group a decisive and leading position in the Ukrainian retail market and will enable the Group to achieve economies of scale. In addition to expanding its portfolio and improving its related financial results, the Group also intends to continue to improve the quality of its tenant mix by providing a distinctive retail offering. This could include forging strategic partnerships with foreign retailers that are not currently participating in the Ukrainian market.

Continued expansion of the Company's portfolio.

The Company is committed to expanding its portfolio mainly through development. It has recently acquired the Development Properties, subject only to Admission. The Company is planning to continue to capitalise on its position as a leading retail real estate developer in Ukraine, taking projects from the drawing board up to commissioning and continued leasing and management activity.

Diversification of funding sources

The Company is planning to take full advantage of its long-term relationships with leading financial institutions in order to finance the expansion of its development portfolio. However, the Company will continue to explore obtaining equity partners at a project level. See the paragraph headed "*Funding*" below.

Offering different retail formats to complement the needs of various markets

The Group has a geographically diverse portfolio focused on a single real estate class (shopping centres) but intends to concentrate further on the Kyiv market.

In developing its business, the Group intends to focus on creating a more balanced portfolio of different but complementary retail formats. These may include the following:

- *Regional shopping and entertainment centres*

  These are shopping centres typically anchored by a large hypermarket, and targets consumers across a wide urban area. They offer a broad mix of retail, leisure and entertainment facilities. Typically, these shopping centres are dependent on good highway access, the availability of parking facilities and accessibility by public transport. Sky Mall, City Mall, South Gallery and Sun Gallery are all examples of this type of shopping centre, as are the proposed projects in Kyiv and Odesa (except for the Petrivka development property) (see "*Portfolio – Development Properties*").

- *District shopping centres*

  These vary in size and tenant mix, but aim to service a smaller, more limited catchment area in the direct vicinity of the project. Therefore, they are normally located at strategic intersections within urban residential areas and are anchored by mid-sized supermarkets. Leisure and entertainment facilities are normally limited in size in these projects. Road access and proximity to public transport (trains and buses) are important for these projects. RayON is an example of such a project.

- *City centre projects*

  These are close to city centres and aim to be located adjacent to public transport hubs so as to take advantage of the large footfall through those centres. The tenant mix varies depending on the location of the project and there is typically a mid-sized supermarket anchor. At present there is no such project in Arricano's portfolio, although the Group has acquired, pursuant to the Share Purchase Agreements, the former Lukianivka tram depot in Kyiv, which the Directors believe would be a feasible site for such a development.

Expanding to regional markets

The Group also considers regional projects that may offer stable and above average returns, especially if such projects present unique investment opportunities. For example, Simferopol, where South Gallery is situated, is a relatively small city but it is strategically located in the geographical centre of the Crimean Peninsula, which has a total population of approximately two million people. The Group has completed Phase I and began construction of Phase II in 2012, which will add a further GLA of approximately 20,000 sq. m. of retail space.

In addition, the Group continues to look for opportunities to optimise its existing portfolio and maintain its leading position in some of the regional cities in which it is currently active. In Zaporizhzhia, the City Mall shopping centre is currently the only international style shopping centre in the city. The Group is considering extending the shopping centre to be able to attract more international retailers as anchor tenants.

Funding

The Group's activities have until now been financed with a mix of equity, shareholder loans and external debt (bank) financing, which in certain limited cases has been secured by encumbrances of the Group's property and additional guarantees from the Company's principal shareholder, RRE.

The Directors anticipate that the market for the debt financing of development and construction in Ukraine will remain limited in the short term, with few banks participating in the market and offering only low levels of funding for such projects. A number of European banks that were active in the real estate financing market have withdrawn as a result of the debt crisis in the Eurozone. In addition, the Basel III accord, which comes into effect this year, has led many banks to reduce their exposure to real estate related loans in order to improve their balance sheets. The reduction in the number of Western players in the Ukrainian market was offset to some extent by an increased level of activity among Russian and CIS based banks. Most of these already have a presence in Ukraine, but previously did not actively provide real estate financing.

All existing loans of the Group are denominated in US Dollars. The Group expects that any new loans would also be denominated in US Dollars, subject to local legislation continuing to allow loans to be issued in foreign currencies. Subject to commercial availability and terms, the Group intends to obtain further asset loans on a non-recourse basis, with obligations towards the lender being secured only by customary collateral, such as a mortgage over the asset or a pledge over the project company's shares and current accounts.

Despite the above mentioned market conditions, the Company has been successful in obtaining project financing loans in an aggregate amount of approximately US$40 million, and in securing corporate-level debt in the amount of approximately US$29 million in order to refinance the convertible loan from ELQ Investors II Limited. In addition, the Company is in advanced stages of negotiating a construction financing loan for one of the Development Properties. The Group's management continues to monitor the local banking sector to seek improved financing terms for its existing properties as well as its development projects, with a view to implementing new banking programmes and products as they become available. In addition to debt, the Group also foresees that more equity will be required in the future to facilitate its further expansion and the execution of new projects.

Hedging and foreign exchange policy

The Company's functional currency is the US Dollar. However, the majority of the Group's entities are located in Ukraine and have the Ukrainian Hryvnia as their functional currency. The Group's loans from banking institutions are denominated in US Dollars. Lease agreements over the Group's operating properties are also tied to US Dollars in order to hedge against any changes in the US Dollar to the Ukrainian Hryvnia exchange rate, which is a strategic decision on the part of the Group's management.

A portion of the Group's operating, marketing and administrative expenses are, however, paid in Ukrainian Hryvnias. The Group is therefore exposed to fluctuations in the exchange rates between the US Dollar and the Ukrainian Hryvnia with regard to these expenses. Such exposure may affect the Group's financial results.

In the longer term, the Group may consider implementing policies to limit its currency exposure and, if appropriate, will examine currency hedging instruments when they prove to be available and cost effective.

Insurance

The Group has property and third-party liability insurance policies in relation to all of its operating properties. The Group also requires the party responsible for each project under construction to take out Construction All Risk (CAR) policies. The Group has obtained directors' and officers' insurance policies in relation to errors and omissions by directors and officers in this document. The coverage amount is considered to be suitable for companies of a similar size and activities.

Selected financial information

The table below shows the selected key historical financial information for the three years ended 31 December 2012 and the six months ended 30 June 2013.

	Audited For the year ended 31 December 2010 US$'000	*Audited For the year ended 31 December 2011[(1)] US$'000*	*Audited For the year ended 31 December 2012 US$'000*	*Unaudited For the six months ended 30 June 2013 US$'000*
Revenue	14,466	16,356	16,421	12,151
Revaluation gains	54,491	12,943	26,893	(1,689)
Gain from operating activities	59,244	19,085	22,573	(62)
Net profit	43,009	7,988	19,823	(3,514)
Total assets	414,171	210,786	250,083	264,582
Total liabilities	(285,138)	(96,097)	(115,515)	(133,531)
Net assets	129,033	114,689	134,568	131,051

Note:

(1) The results for 2011 include five months of Sky Mall consolidation prior to the loss of control of the investment on 9 June 2011 (see Note 4 of the Historical Financial Information on the Group set out in Section B of Part VIII).

Current Trading and Prospects

For the six months ended 30 June 2013, the Group's revenues were approximately US$12.2 million. During the period, the Company experienced improved operating margins but a number of substantial non-recurring expenses had an impact on its profitability.

As set out in the CBRE Valuation Report, the fair value of the portfolio of Operating Properties (see "Portfolio—Operating Properties" in Part III) as at 30 June 2013 was US$158.6 million. The Company has a 49.97 per cent. interest in the holding company of Sky Mall which is held on the Company's balance sheet at a value of US$20.7 million as an available-for-sale financial asset due to the loss of significant influence in 2012 (see Note 4 of the Historical Financial Information on the Group set out in Section B of Part VIII).

The fair value of the Sky Mall property in its entirety (Phases I, II and III) in the CBRE Valuation Report as at 30 June 2013 was US$205.6 million.

Over the course of the current financial year, the Group has successfully secured new long term debt financing for the future development of certain assets and, as a result, has incurred fees and legal costs in relation to negotiating such debt facilities.

Use of Proceeds of the Placing

The Company has raised net proceeds in the amount of approximately US$23 million through the Placing. The estimated net proceeds of the Placing are calculated based on the gross proceeds of the Placing, which amounted to approximately US$24 million, less the estimated expenses relating to Admission of US$1 million. The Group intends to use the net proceeds of the Placing to continue the development of its existing portfolio of operating assets, as well as the new properties acquired pursuant to the Acquisition, and to fund future short-term working capital requirements.

Dividend Policy

It is the Group's intention to implement a regular dividend payment in the future, subject to market conditions, the Group's future results, its prevailing internal liquidity needs and the effectiveness of the corporate structure. In accordance with the Articles, any payment of dividends in the future will depend upon the recommendations of the Board and the payment of dividends must be approved by a general meeting of the Shareholders. Notwithstanding the above, the Board may from time to time pay to the Shareholders such interim dividends as the Board determines are justified by the profits of the Company.

Outlook

The Directors believe that the Group is well positioned to capitalise on the under developed retail real estate market in Ukraine. It has been one of the very few developers in Ukraine capable of completing sizeable retail schemes during the financial crisis of 2008–2009. Its management has a combination of local and international expertise and the Group is one of the few enterprises able to offer a platform to both international and local retailers. The Group combines stable operating cash flow from existing properties with good growth prospects in relation to its proposed development portfolio and its ability to obtain bank financing.

The Group intends to remain focused on Ukraine for the foreseeable future. Over the next three and a half years, the Group intends to extend its portfolio to approximately nine properties.

PART III

Portfolio of Operating, Investment and Development Properties

Arricano has four operating assets in its portfolio and one investment property. The portfolio properties are based in Ukraine, with a strong presence in the capital Kyiv. Pursuant to the terms of the Share Purchase Agreements, the Group has acquired four new Development Properties, subject only to Admission. In addition, the second phase of one of the Group's operating assets (Simferopol) is currently under construction. Details of the operating investment and the Development Properties are set out below.

The Group believes that by completing the development of the acquired Development Properties, it will significantly enhance its portfolio of operating assets. In addition, there is further potential to expand that portfolio by developing the proposed third phase of Sky Mall.

Portfolio – Operating Properties

Sun Gallery (Kryvyi Rih)

Sun Gallery, opened in 2008, is one of the largest shopping malls in Kryvyi Rih. It is located at 30-richchia Peremohy Square, in the Saksahanskyi district in the northeastern part of Kryvyi Rih. It has good automobile accessibility and public transport links. The primary shopping centre catchment area includes almost the whole territory of the Saksahanskyi district and part of the Zhovtnevyi district. The secondary area covers the Dovhyntsivskyi district.

The shopping centre is on two levels, spanning a total GLA of approximately 35,500 sq. m. There are approximately 80 gallery tenants, a children's entertainment zone, a food court with restaurants and cafes, a bowling alley, and anchor tenants electronics store Comfy and hypermarket Auchan.

Key statistics

- GLA – c. 35,500 sq. m.
- Vacancy rate – 3.7 per cent.
- Average monthly rental rate – US$9.38/sq. m. as at 30 June 2013
- Visitors (2012) – 3.88 million
- Bank debt at 30 June 2013 – US$22.3 million
- CBRE Valuation at 30 June 2013 – US$27.2 million

City Mall (Zaporizhzhia)

City Mall is one of the largest shopping centres in Zaporizhzhia with a total GLA of approximately 21,400 sq. m. on a single level. The shopping centre is located on the Dnipro river approximately 3 km from Zaporizhzhia city centre, between two densely populated areas of Zaporizhzhia in the Zhovtnevyi administrative district (1b Zaporizska street), with convenient accessibility by public and private transport.

The second phase of City Mall was opened in April 2011 and comprises a gallery with approximately 80 international and local tenants, a food court with 10 restaurants, a children's entertainment zone and parking which is shared with DIY superstore Epicenter. City Mall's anchor tenants are the hypermarket Auchan, which is the largest in the city, and the electronics store Comfy.

Key statistics

- GLA – c. 21,400 sq. m.
- Vacancy rate – 0.1 per cent.
- Average monthly rental rate – US$17.09/sq. m. as at 30 June 2013

- Visitors (2012) – 4.46 million
- Bank debt at 30 June 2013 – US$15 million (signed in June 2013)
- CBRE Valuation at 30 June 2013 – $36.2 million

South Gallery (Simferopol)

The site is located in the north of Simferopol, about five minutes' driving distance from one of the city's major crossroads, Moskovska Square. The site is linked to the city centre and residential areas east of the city by one of the main thoroughfares of Simferopol. The primary shopping centre catchment area includes northern parts of the Kyivskyi and Zaliznychnyi districts. The secondary area covers almost the whole city, except for its very southern parts.

South Gallery shopping centre (Phases I and II) is situated on a land plot with a total area of 10.2 ha. Phase I of the shopping centre has been completed, with tenants that include Furshet (Ukrainian hypermarket chain) and a Comfy electronics store, with a small gallery. The completion of Phase II is designed to turn the mall into a regional destination shopping centre through the construction of an extension of a GLA of approximately 19,700 sq. m. After completion of Phase II, the total project will have a GLA of approximately 32,800 sq. m.

Key statistics (Phase I)

- GLA – c. 13,100 sq. m.
- Vacancy rate – 0.5 per cent.
- Average monthly rental rate – US$11.15/sq. m. as at 30 June 2013
- Visitors (2012) – unknown*
- Bank debt at 30 June 2013 – US$8.7 million
- CBRE Valuation at 30 June 2013 – US$30.7 million (including Phase II)

* The current project does not use counters to register visitor numbers. Although the Group's management uses estimates for visitor numbers, these estimates are derived from turnover data obtained directly from retailers which are not permitted to be disclosed.

M26/RayON (Kyiv)

The RayON project was opened to the public in August 2012. The basic concept was designed by Priit Ehala from the Estonian architectural bureau Ehala & Irik. Chapman Taylor Madrid assisted in the design of the facades and the interiors. The project is located in the north east of Kyiv along the left bank of the Dnipro river, with satisfactory transportation links.

The project has a GLA of approximately 24,100 sq. m on two levels, with approximately 860 parking spaces. The concept for RayON is a district shopping centre, which focuses on food, clothing and convenience products. The project is anchored by a Silpo foods supermarket, one of the biggest supermarket chains in Ukraine and a member of the Fozzy group. Electronics supermarket Comfy also operates within the project. RayON has several restaurants and a children's entertainment zone to complement the retail facilities. RayON is located in the middle of the Desnjanski district, one of the most densely populated areas in Kyiv, with an estimated catchment area of approximately 170,000.

Key statistics

- GLA – c. 24,100 sq. m.
- Vacancy rate – 4.1 per cent.
- Average monthly rental rate – US$31.00/sq. m. as at 30 June 2013
- Visitors (from August to December 2012) – 1.99 million
- Bank debt at 30 June 2013 – US$25 million (obtained in May 2013)
- CBRE Valuation at 30 June 2013 – US$64.5 million

Portfolio – Investment Property

Sky Mall (Kyiv)

Sky Mall is one of the largest shopping centres in Kyiv, built to an award-winning design by the international architectural firm Chapman Taylor. It is home to top-quality brands, that include TopShop and Marks & Spencer, and anchored by the hypermarket Auchan, Comfy and stores of the Inditex Group. The first phase of the shopping centre (hypermarket) opened in 2007 and the second phase of the development opened in August 2010. It is located in the Dniprovskyi district of Kyiv on Vatutina Avenue, on the left bank of the Dnipro River. The shopping centre has good motor vehicle access and public transport links.

The GLA of the current operating centre (Phases I and II) is approximately 68,000 sq. m, with approximately 1,880 parking spaces. The shopping centre spans three levels with a cinema, children's and entertainment zone, food court, hypermarket and gallery shops.

The Company currently owns only 49.97 per cent. of the holding company of the asset and continues to investigate the possibility of acquiring the remaining interests from the current co-owner. The Company's interest in the holding company of Sky Mall is held on the Company's balance sheet at a value of US$20.7 million as an available-for-sale financial asset due to the loss of significant influence in 2012 (see Note 4 of the historical financial information on the Company set out in Section B of Part VIII). The fair value of the property in its entirety (Phases I, II and III) in the CBRE Valuation Report as at 30 June 2013 was US$205.6 million.

It is anticipated that the third phase, which may be developed provided such development will be feasible at the time, would add a further GLA of approximately 46,500 sq. m. The third phase of development envisages an extension of the existing gallery with the addition of retail, leisure and entertainment space and the development of a number of stand-alone ("big box") retailers (furniture and DIY). Several preliminary concepts are available for the development of the third phase.

For additional information, please see Part IV "Risk Factors—Business and Industry Risks—Sky Mall joint venture risks" and paragraph 9 "Litigation" of Part XIV of this document.

Key statistics

- Arricano ownership – 49.97 per cent.
- GLA – c. 68,000 sq. m.
- Vacancy rate – 5.6 per cent.
- Average monthly rental rate – US$27.75/sq. m. as at 30 June 2013
- Visitors – unknown*
- Bank debt at 30 June 2013 – approximately US$20 million (estimated)**
- CBRE Valuation at 30 June 2013 – US$205.6 million
- Book value at 31 December 2012 – US$20.7 million***

* The Group does not have control over the operational activities of Sky Mall and therefore does not have access to the current visitor numbers.

** The Group does not have control over the operational activities of Sky Mall and has limited access to financing information, as such these figures are estimates only. As at 14 February 2012, bank net debt was approximately US$31 million. This is the most recent figure available to the Group. For additional information, please see Part IV "Risk-Factors – Business and Industry Risks – Sky Mall joint venture risks".

*** A value of US$20.7 million is attributed to the Company's interest in the holding company of Sky Mall in the Company's financial statements. Please see the Historical Financial Information on the Group under Part VIII of this document for further information.

Portfolio – Development Properties

Pursuant to the Share Purchase Agreements, the Group has acquired four new Development Properties which will provide the platform for the Company's short-to-medium-term expansion plans. The properties are in various stages of development, with the Prospect/Krasnotkatska development property being the most advanced.

Structure of acquisition

On 5 September 2013, the Company entered into the Share Purchase Agreements with Vunderbuilt pursuant to which the Company agreed to acquire the Development Properties, subject only to Admission. In addition, Vunderbuilt has agreed to assign to the Company (or procure the assignment to the Company of) the benefit of certain loans made by Vunderbuilt, RRE and/or Filgate Credit Enterprises Limited to the companies to be acquired pursuant to the Share Purchase Agreements. In aggregate as at 30 June 2013, the amounts outstanding under these loans was approximately US$55.2 million (or US$48.9 million at amortised cost, as reflected in the aggregated interim financial statements for the Development Properties for the six months ended 30 June 2013). In consideration for the Development Properties, and the assignment of the benefit of the loans, the Company will issue 28,350,214 Ordinary Shares to Vunderbuilt on Admission, equivalent to an aggregate value of approximately US$66 million at the Placing Price. In addition, the Company has also agreed to pay the Deferred Consideration in respect of the acquisition of the shares in Wayfield Limited by way of a cash payment of not more than US$20 million to Bytenem Limited (a company under the same ultimate beneficial control as Vunderbuilt). Payment of the Deferred Consideration must be settled by not later than 30 April 2014 except that, at the sole discretion of the Board, payment of up to US$10 million of the Deferred Consideration may be further deferred to a date not later than 30 April 2015. The Company will be liable to pay interest on any Deferred Consideration outstanding quarterly in arrears at a rate of 9.75 per cent. per annum.

A summary of the Share Purchase Agreements is set out in paragraph 11.2 "Share Purchase Agreements" of Part XIV of this document.

Development Properties

Prospect/Krasnotkatska (Kyiv)

The Prospect/Krasnotkatska development property is located directly on the inner ring road of Kyiv on the left bank of the Dnipro river in the Desnianskyi administrative district, with good automobile accessibility and public transport links. The area is already recognised as a popular shopping destination, located close to a large open-air market and a bazaar-style shopping centre (SC Darinok).

The Prospect/Krasnotkatska development property is being constructed on a site of about 5.79 ha and will consist of a two-storey retail and leisure complex with a total gross building area of approximately 44,100 sq. m. (excluding roof and surface parking and excluding the hypermarket building referred to below), an expected GLA of approximately 30,400 sq. m. and parking. The construction works are in an advanced stage. The Company plans to open the centre by the end of the third quarter of 2014.

The project has a joint venture with an SPV of retail operator Auchan, Real Estate F.C.A.U LLC, to construct and operate their own hypermarket block within the project with our estimated GBA of approximately 11,700 sq. m. (excluding parking).

The Company is in advanced stages of negotiations with a Ukrainian bank and a foreign bank in relation to the provision of debt finance.

Land plot:	5.79 hectares
Title:	leasehold title
Development:	retail, leisure and entertainment
Gross construction area (GBA):	c. 44,100 sq. m. (excluding roof and surface parking and excluding the hypermarket building)
Gross leasable area (GLA):	c. 30,400 sq. m. (excluding the hypermarket)
Parking:	To include roof parking, surface parking and basement parking
Type:	Regional mall (hypermarket anchored)
Construction start date:	Q4 2012
Forecast opening date:	Q4 2014

Lukianivka (Kyiv)

The Lukianivka development property is located on the right bank of Kyiv in the Shevchenkivskyi administrative district. The land plot has a total area of 4.14 hectares. The Group is planning to construct its flagship shopping centre in the central business district of Kyiv, with a more upmarket vision in terms of the concept and tenant mix. The Lukianivka development property allows for the construction of a multi-use complex, consisting of a shopping and leisure centre including, *inter alia*, a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court restaurants and a service area. The property would also have two underground parking levels and one seven-storey residential building, construction of which will continue after completion of the shopping centre. It is expected that the GLA of the shopping and entertainment centre would be approximately 47,000 sq. m. The Group obtained the relevant building consent in June 2013.

Land plot:	4.14 hectares
Title:	leasehold title plus title to several buildings (historical landmarks) on the site
Development:	retail, leisure and entertainment centre
Gross construction area (GBA):	c.71,300 sq. m. for the shopping centre (plus c.38,500 sq. m. GBA for parking and c.6,600 sq. m. for the residential block)
Gross leasable area (GLA):	c.47,000 sq. m.
Gross saleable area:	c.5,000 sq. m.*
Parking spaces:	to include roof parking and underground parking
Type:	city shopping centre (pocket hypermarket anchored) with residential
Expected construction start date:	Q4 2013
Forecast opening date:	Q4 2015

* This comprises mainly residential space with a small amount of commercial property.

Rozumovska (Odesa)

The Black Sea port of Odesa is Ukraine's fourth largest city, with over one million inhabitants, and is a popular leisure destination. The Rozumovska development property is located partly on the façade of Rozumovska Street close to its intersection with Balkovska Street, in the Malynovskyi administrative district of Odesa, in close proximity to public transportation links.

The site is located opposite the city's main bus station. Rozumovska Street connects directly to the highway to Kyiv.

The Group is in the process of obtaining formal title to the land. The Rozumovska development property is expected to be a three-storey shopping and entertainment centre with a sufficient number of parking spaces to accommodate customer demand. The target GLA is approximately 38,000 sq. m., including a hypermarket, shops and shopping galleries, a leisure and entertainment area, a food court restaurants and a service area. The preliminary design concept of the project has been completed and the developer is currently applying for the relevant consents and permits, with completion targeted for 2015.

Land plot:	4.5 hectares
Location:	Odesa
Title:	buildings and companies owning the site have been purchased, but land title still needs to be allocated
Development:	retail, leisure and entertainment centre
Gross construction area (GBA):	c. 71,000 sq. m.
Gross leasable area (GLA):	38,000 sq. m.
Parking spaces:	1,387 (771 deck parking, 616 roof parking spaces)
Type:	Regional mall (hypermarket anchored)
Expected construction start date:	Q1 2014
Forecast opening date:	Q3 2015

Petrivka (Kyiv)

The Petrivka development property is located on the right bank of the Dnipro river in Kyiv, in the Obolonskyi administrative district. The site has an area of 5.4 ha. The Group is currently considering the best use of the site, which could include both residential and retail use. If the site is to be developed as a shopping centre, the management expects the GLA to be approximately 31,450 sq. m.

PART IV

Risk Factors

An investment in the Shares involves a high degree of risk. Therefore, prior to investing in the Shares, prospective investors should consider carefully the risks associated with an investment in the Shares, the business and the industry in which the Group operates, together with all other information contained in this document including, especially, the risk factors described below. If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. Additional risks and uncertainties relating to the Company and its subsidiaries that are not currently known to the Company, or that the Company currently deems immaterial, may also have a material adverse effect on the business of the Group or on the Group's financial condition and operating results. This, among other factors, could cause a decrease in the price of the Shares and investors could lose all or part of their investment. If you are in any doubt about the contents of this document or the action you should take, it is strongly recommended that you consult a professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. Investors should consider carefully whether an investment in the Shares is suitable for them in view of the information in this document, their personal circumstances and the financial resources available to them.

Business and Industry Risks

Some of the Group's projects are in the early stages of development and there is no guarantee of their successful completion

Following the acquisition of the Development Properties, the Group will own a number of properties in the early stages of development, which are likely to represent a substantial proportion of the aggregate value of the Group's portfolio in the future. As at the date of this document, the Group has not commenced construction on these projects (although the previous owner of Prospect/Krasnotkatska, RRE, began construction on that site in 2012). Particularly in the initial stages of development, the Group carries the costs of such projects and begins to receive revenues only after completion. Whilst it is the intention of the Group to manage its exposure to development risks conservatively, the Group is involved in development projects and the returns on the Ordinary Shares may therefore be subject to some extent to the risks associated with the development of real estate projects. The Group's development and construction activities may involve, *inter alia*, the following risks:

- the Group may be unable to proceed with the development of properties because it cannot obtain financing upon favourable terms;
- the Group may incur construction costs for a development project that exceed the Group's original estimates due to increased material, labour or other costs, which could make completion of the project uneconomical because the Group may not be able to increase rents to compensate for the increase in construction costs;
- the Group may be unable to obtain, or face delays in obtaining, required zoning, land use, building, occupancy, and other governmental permits and authorisations, which could result in increased costs and could require the Group to abandon its activities entirely with respect to a project;
- the Group may be unable to complete construction and leasing of a property on schedule, which may result in increased debt service expense and construction or renovation costs and/or the termination of existing investment agreements, which may in turn result in claims by third parties for damages and termination of the respective land leases;
- the Group may not be able to lease out developed properties at or above market rates; and

- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in the Group's investment not being profitable.

Any negative change in one or more of these factors listed above could adversely affect the Group's business, financial condition and results of operations.

Sky Mall joint venture risks

The Group has a minority stake in Assofit, a joint venture company registered in Cyprus. The primary purpose of the joint venture is to develop and promote Sky Mall, a property complex located in Kyiv, Ukraine. The Company holds 1,599 shares in Assofit (49.97 per cent.) and the joint venture partner holds 1,601 shares (50.03 per cent.). Assofit holds various assets, including shares in Ukrainian subsidiaries and 100 per cent. of the first, second and (proposed) third stages of Sky Mall (including the construction, joint operation and servicing of Sky Mall).

Being a minority shareholder, the Group does not have control over the operational activities of Sky Mall and has limited access to financing information of Assofit or its Ukrainian subsidiaries. There can be no assurance (due to the Group's inability to access certain information regularly) that Assofit has not incurred any material financial liability which has not been reflected in the audited financial statements of the Group. The Company may also have problems in obtaining a clean exit in the future or may have difficulty replacing the joint venture partner as the joint investor, because the shares are in an unlisted joint venture company.

The development of Sky Mall may be negatively affected by a lack of co-operation between the Company and its joint venture partner. The Group's relationship with its joint venture partner has been affected by a series of legal and arbitral proceedings (brought by both parties) relating to the exercise by the Company of an option to acquire the remaining shareholding in Assofit, termination of the shareholders' agreement, the appointment of managers and other related matters. See also Part XIV paragraph 9 and Note 4 to the audited financial statements for the year ended 31 December 2012 for further detail. The publication of this Admission Document and the other steps being taken by the Company in connection with Admission could increase the likelihood of such proceedings being initiated. There can be no assurance that further legal or arbitral proceedings will not be initiated in the future. The Company may also be liable to pay damages (plus legal fees) for the final tribunal award to the joint venture partner, which may affect its financial performance.

As a result, the Group at the moment cannot rely on the joint venture partner continuing to operate under the same business strategy as the Company or to provide full co-operation in terms of operational control and financial reporting. If the Group fails to acquire full control over Assofit, the Group's business would depend on maintaining a positive working relationship with its joint venture partner and its business, results of operations, financial condition and prospects could be materially adversely affected if its relationship with its joint venture partner does not improve in the future.

Recoverability of balances

As at 31 December 2012 and as at 30 June 2013, the aggregate amount of long and short term receivables (and interest therein) due to the Group from related parties was US$43,766,000 and US$45,993,000, respectively. In particular, the amount outstanding under the SPV Loan Agreement (as defined below) was US$35,466,000, as at 31 December 2012. The SPV Loan Agreement is guaranteed by RRE. RRE has not granted security over its assets in support of the guarantee. The Company has not conducted any detailed financial due diligence regarding the likely financial position of RRE in the future and, consequently, cannot be certain of RRE's ability to meet its obligations under the guarantee. Furthermore, RRE is not restricted, contractually or otherwise, from dissipating its assets nor is it required to maintain sufficient assets to meet its obligations under the guarantee. Luxembourg legal counsel were not instructed in relation to this nor was a formal legal opinion obtained when the guarantee was entered into. See also Part XIV paragraph 11.1.3 (b) for further detail. The directors' expect such outstanding amounts, including under the SPV Loan Agreement, to be settled in full when due and payable. However, the failure to receive such outstanding amounts when due and payable and, in particular the failure of the borrower under the SPV Loan Agreement to settle amounts due, or in the event of its default, the failure by RRE to pay such amounts pursuant to such guarantee, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Group is dependent on external sources of capital for future growth

Whilst the Directors are of the opinion that the working capital available to the Group is sufficient for at least 12 months from Admission, the Group's strategy contemplates significant capital expenditures for future property developments and the Group intends to rely on third-party sources of capital, primarily investments by strategic investors and debt financing. Such sources of capital may or may not be available on favourable terms or at all, in which case future development of the Group's property portfolio would be restricted. The Group's access to third-party sources of capital depends on a number of factors, including the market's perception of the Group's growth potential and the Group's current and potential future earnings. If the Group is unable to obtain third-party sources of capital on favourable terms, the Group's business, financial condition and results of operations could be materially adversely affected, which could result in a decline in the market value of the shares. Moreover, additional equity offerings may result in the dilution of Shareholders' interests, and additional debt financing may substantially increase the Group's leverage. Furthermore, the Group is exposed to interest rate fluctuation risk because it currently has outstanding debt that bears interest at variable rates, and may incur such debt in the future. In addition, to the extent the Group's finance and other costs are denominated in currencies other than the Ukrainian Hryvnia (the Group's operating currency), any depreciation of the Ukrainian Hryvnia against such currencies could materially adversely affect the Group's business, results of operations, financial condition and prospects. See Paragraph 11.1 "Loan Agreements" of Part XIV "Additional Information—Material Contracts of the Company—Loan Agreements".

The Group depends on external contractors to develop and construct the projects

The successful construction of the Company's projects, including the Development Properties, depends on its ability to hire general contractors and construction workers to build the projects to international standards of quality and safety on commercially reasonable terms. Competition for the services of high quality general contractors and subcontractors and other factors may make it difficult to enter into contracting arrangements on commercially acceptable terms, within the required time frame, or at all. The Group's reliance on general contractors and subcontractors also exposes the Group to risks associated with any poor performance or work ethic of such contractors and their subcontractors and employees, construction defects and financial instability of the contractors and their subcontractors. Any failure of general contractors to meet international standards of high quality and safety could result in increased costs and may result in project delays and cancellations, which could affect the marketability of the completed property. If the Company is unable to enter into contracting arrangements with high quality general contractors or subcontractors on commercially reasonable terms or their performance is substandard, the Company may be subject to increased costs or its projects may be delayed or cancelled, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The development of the Group's properties is subject to a number of permits and administrative approvals and failure to comply with these requirements could adversely affect its business

In Ukraine certain planning approvals are necessary to receive a land lease or to purchase a land plot from public ownership. Certain development approvals are necessary to design, construct and put into operation shopping malls and other real property.

The profitability of the Company will be in part dependent upon the continuation of a favourable regulatory climate with respect to its investments. Any failure to obtain or to continue to comply with all necessary approvals, licences or permits, including renewals thereof or modifications thereto, may adversely affect the Company's performance, as could delays caused in obtaining such consents due to objections from third parties. This, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Group relies on certain key personnel

The Group's success depends to a significant extent upon the abilities and experience of the Group's executive officers and certain other key persons, whose continued service may not be guaranteed. The departure of one or more key executives or other key personnel of the Group could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects. In the event that key personnel choose not to remain with the Group, there is a risk that these key personnel may participate in a competing business. The Group's ability to recruit, motivate and retain personnel will be important to its development and there can be no assurance that the Group will be able to do so given the market in which the Group operates. As a consequence, any failure of the Group to attract, hire or retain suitable employees could have a material adverse effect on the Company's business, financial condition and results of operations.

Because the CBRE Valuation Report relies on certain assumptions and valuation models, it may not accurately reflect the actual proceeds that could be achieved upon a sale of the valued properties, and a material decline in future valuations could adversely affect the Group's financial results

The valuations of the Group's properties in the CBRE Valuation Report were made as at 30 June 2013, and the report does not reflect any changes in the value of the properties or market conditions since that time. In addition, certain assumptions and valuation models were used in the determination of the property values, and the use of different assumptions or models would likely produce different valuation results. As a result, the report represents Property Valuer's best estimate of the value of Group's properties. However, there can be no assurance that it accurately reflects the actual proceeds that could be achieved upon a sale of the valued properties, particularly if, due to unforeseen circumstances, the Group were forced to sell investment properties prior to completion of their development. The Group's financial results are significantly influenced by the revaluation of its investment properties, which the Group intends to undertake at least twice a year unless the Directors decide otherwise. Any gains or losses arising from changes in the fair value of these properties are required to be included in the Group's combined income statement for the period in which they arise. As a result, any material decline in the future in the value of the Group's investment properties could materially adversely affect the Group's results of operations and financial condition.

Corporate structure risk

The current corporate structure of the Group is of an investment holding with a concentration of interests at the ultimate holding company. Distribution of profits is currently maintained through a quasi-equity loan structure, given through a back-to-back facility to the operating properties. Upon dividend pay-back different approaches may be taken to channel profits back to the holding level, through either the repayment of quasi-equity loans or by simple dividend repayments up to the ultimate holding level. The Group may not be able to predict whether a favourable taxation or regulatory environment will exist at the time of dividend payments or be able to ensure that the dividend payments benefit from a low tax burden.

The Cyprus bailout plan may introduce legal and regulatory uncertainty that may affect the Group

The Company and some of its subsidiaries are incorporated in Cyprus and are subject to Cypriot corporate law. On 24 March 2013, the government of Cyprus and the ECB, the EU and the IMF (the "Troika") reached a provisional agreement regarding the provision of a loan and related finance package to Cyprus, such loan and finance package being conditional on Cyprus implementing a comprehensive economic adjustment programme. In addition, agreement has been reached on a Memorandum of Understanding (the "MoU") which was signed on 4 April 2013 between the government of Cyprus and the Troika which included, *inter alia*, a scheme for the reorganisation of the Cypriot banking system as a result of which deposit holders with credit balances in excess of €100,000 held with the Cyprus Popular Bank Public Co Ltd ("Laiki Bank") or the Bank of Cyprus Public Company Ltd (the "Bank of Cyprus") suffered significant losses, and pursuant to which the government of Cyprus increased the corporate tax rate from 10 per cent. to 12.5 per cent. and the special defence contribution tax rate from 15 per cent. to 30 per cent. No measures were included in the final form of the MoU which affected any other aspects of the Cyprus tax regime. The immediate impact of these crisis resolution measures was limited to the restrictions on the withdrawal of funds from Cypriot bank accounts and the significant "haircuts" imposed on the Bank of Cyprus and Laiki Bank depositors with balances exceeding €100,000 as at the close of business on 26 March 2013. The recent disruption to the

Cypriot banking system and the implementation of the MoU may adversely affect the legal and economic environment in Cyprus. The Company and its subsidiaries are holding companies with no physical assets in Cyprus and they do not use or have material deposits in the Cypriot banking system. However, there can be no assurance that these companies or the Group as a whole will be immune from any changes in Cypriot corporate legislation.

Difficulty of identifying and securing suitable investments and disposals in the future

The activity of identifying and securing attractive future investments may be highly competitive and involve a high degree of uncertainty. The Company will be competing for investments with other real estate investment vehicles, as well as individuals, financial institutions and other institutional investors. A number of real estate funds have been formed over the past few years for the purpose of investing in Ukrainian and other CEE office, retail and industrial real estate assets, and additional funds with similar investment objectives may be formed in the future. There can be no assurance that the Company will be able to identify and secure investments that satisfy its rate of return objective or realise their values or that it will be able to fully invest its available capital. This could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, this competition could increase the cost to the Group of acquiring properties for investment. The Group could experience similar competition with other property owners in its efforts to dispose of assets, which may result in lower sales prices. Any such increase in prices for acquired properties or a decrease in prices for properties to be sold by the Group could impair its growth prospects or reduce available capital, either of which could result in a decline in the market value of the Shares. Because real estate investments are relatively illiquid, the Group may not be able to sell properties when appropriate and real estate investments generally cannot be sold quickly. The Group's properties are subject to tax laws and financing covenants. In addition, in raising additional financing the Group may encumber new or existing properties, which may further restrict their transferability. As a result, the Group may not be able to vary its portfolio promptly in response to economic or other conditions, which could have an adverse effect on the Group's business, financial condition and results of operations.

Concentration risk

The Company's investments in property assets and their tenants may be concentrated. The Group may experience periods in which its investments are geographically concentrated, either regionally or in certain markets with similar demographics. Further, whilst the Group seeks diversification across its property assets, it may experience periods where it has concentration in certain property assets, increasing the potential exposure if there were to be an over supply of, or a reduced demand for, certain types of real estate assets in the markets in which the Group operates. The Group may also experience periods in which its tenant base is concentrated within a particular industry sector. For example, the Group has a number of common tenants in multiple properties, representing a high tenant concentration. The insolvency and/or closing of a single tenant in one of its properties may significantly impair the income generated by such property and/or other properties, and may also depress the value of such property. If the Company fails to manage concentration risk in relation to specific properties and tenants as the Company's investments increase, this could materially adversely affect the Group's business, results of operations, financial condition and prospects.

New acquisitions may fail to perform as expected

As part of the Group's strategy it intends to acquire rights to land plots to develop properties for income generation and capital appreciation. Such properties may fail to perform as expected. Additionally, the Group may underestimate the costs associated with the development and construction of such properties. In either of these circumstances, its business, financial condition and results of operations could be adversely affected.

The Group's future rental revenues will depend on the financial stability of its tenants

The financial stability of the Group's tenants may affect the financial performance of its properties. Tenant defaults could result in a significant reduction in rental revenues, which could require the Group to contribute additional capital or obtain alternative financing to meet obligations under any financing arrangements relating to such properties. In addition, the costs and time involved in enforcing rights under the lease with a defaulting tenant, including eviction and re-leasing costs, may be significant. The financial stability of tenants may change over time. Any downgrading of tenants' credit ratings or adverse change in their financial condition may negatively affect the value of property in which such tenants lease space and the amount of rental income from such property, which could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group's properties face competition

The Group faces competition from other owners, operators and developers of retail and commercial properties. Substantially all of the Group's properties face competition from similar properties in the same markets. Such competition may affect its ability to attract and retain tenants and reduce the rents the Group is able to charge. These competing properties may have vacancy rates higher than the Group's properties, which may result in their owners being willing to make space available at lower rental rates than the space in the Group's properties. In addition, the Group's retail properties compete with other retail distribution channels in attracting customers, including discount centres, outlet shopping centres, discount shopping clubs, direct mail, telemarketing and e-commerce, which could reduce demand for the Group's retail space. This combination of circumstances could adversely affect the Group's business, financial condition and results of operations.

A deterioration of the Group's relationships with governmental authorities may negatively affect its business

Historically, land in Ukraine was owned by the state and in most regions, including Kyiv, the state and local governments are still the main landowners who decide when and how to sell or to lease out land. Ukrainian governmental authorities have a high degree of discretion when selling land and allocating real estate projects. The Group's business therefore depends on maintaining positive working relationships with the relevant governmental authorities. The Directors believe that the Group currently has good constructive working relationships with many of the state and local authorities relevant to its business. However, the business, financial condition and results of operations could be materially adversely affected if the Group's relationships with the government authorities deteriorate in the future.

Currency exchange rate risk

The net proceeds of the Placing are denominated in US Dollars. It is expected that the Group's business will continue to generate revenue and incur expenses and liabilities primarily in US Dollars. To the extent that this is not the case, the Company may be subject to the effects of exchange rate fluctuations with respect to any currencies other than US Dollars.

Tax-related risks

In certain circumstances, there may be withholding or other taxes on the profits or other returns derived from the Company's investments which may change from time to time and which could have a material and adverse effect on the Company's performance. The tax regimes that apply in the countries in which the Company operates and/or invests may change, thereby affecting the tax treatment of the Company and/or its SPVs in these jurisdictions. The Group is sometimes subject to various claims from Ukrainian tax authorities with regards to VAT. Most recently, Ukrainian tax authorities questioned the deductibility for VAT purposes of incurred expenses in the amount of US$4 million, the net effect of which would be up to US$1 million. For further information, please see Part XII "Taxation" of this document.

The Company is incorporated in Cyprus and is currently considered a Cypriot resident for tax purposes. Generally, in order to maintain Cypriot tax residence, the management and control of the Company must take place in Cyprus. If the management and control of the Company were to be conducted in a jurisdiction other than Cyprus, the existing tax residence of the Company could be jeopardised, which could result in the Tax Treaty no longer being available. Consequently, the Company must meet all applicable requirements for Cypriot tax residence under the tax legislation of Cyprus. Under these requirements, the Directors must not be comprised of a majority of individuals who are resident for tax purposes in a single jurisdiction other than Cyprus and all strategic or significant operational decisions or resolutions of the Directors must be made in Cyprus. If the Company fails to meet these requirements or, in some cases, even if the Company does meet these requirements, the tax authorities of another jurisdiction in which the Company's interests are managed or where strategic or significant operational decisions or resolutions are made could conclude that the

Company is resident in that jurisdiction for tax purposes or has a taxable presence there. Taxation of the Company in a jurisdiction other than Cyprus could materially adversely affect the Company's business, financial condition and results of operations.

Joint venture risk

The Company may establish joint ventures with other entities in order to purchase or develop property. To the extent that this is the case, the Company's position may be compromised by circumstances affecting the joint venture partner, including the possibility that the joint venture partner might at any time have economic or other business interests or goals for itself or the relevant joint venture that are inconsistent with the business interests or goals of the Group; the possibility that the joint venture partners might be in a position to take action contrary to the instructions or requests of the Group, or contrary to the Group's policies or objectives; the possibility that the joint venture partners might have different objectives from the Company regarding the appropriate timing and pricing of any sale or refinancing of properties; and the possibility that the Group's joint venture partners might be parties to adverse litigation or become bankrupt or insolvent.

Scarcity of finance risk

The Group has low leverage at the time of Admission and intends to increase the loan to value ratio of its portfolio. Any loan amounts borrowed by the Group would be subject to the typical terms and conditions prevalent in the current market which could be considered unfavourable under market conditions that favour lenders.

Variable interest loans

A number of loans in the debt portfolio of the Group have floating rates and thus the amount of interest payable by the Group will depend on fluctuations in LIBOR or other lending base rates.

Gearing

The Company, either directly or indirectly, may use borrowings that will typically be secured on assets in its property portfolio. If adequate cash flows cannot be generated by the Company to service the debt incurred by the Company, it may suffer a partial or total loss of its capital. A relatively small movement in the value of its property portfolio or the amount of income derived from it may result in a disproportionately large movement, unfavourable as well as favourable, in the value of Ordinary Shares or the amount of income received in respect thereof. Any bank facility agreement entered into by the Company may contain financial covenants. In particular, such an agreement may require that the Company and/or its SPVs have assets exceeding a fixed percentage of the value of any loan drawdown. If the value of such assets falls such that any such financial covenant is breached, or if any other covenant is breached, the Company may be required to repay or procure the repayment of the borrowings in whole or in part. In such circumstances, it may be necessary to sell, in a limited time, all or part of the Company's property portfolio, potentially in circumstances where there has been a downturn in property values generally such that the realisation proceeds do not reflect the valuation of such properties. Such a sale could have a material adverse effect on the Company's business, financial condition and results of operations.

A creditor of the Company may enforce its security interests over the Company's deposit accounts and entire interest in the RayON property

On 3 April 2013, Livoberezhzhiainvest entered into two term loan agreements with "Bank Saint-Petersburg" OJSC in an aggregate amount of US$25 million. The obligations of Livoberezhzhiainvest under both facilities are secured by suretyships provided by Arricano Real Estate PLC and Hillar Teder, a mortgage of the RayOn property, a pledge by Praxifin Holdings Limited of its entire equity interest in Livoberezhzhiainvest and a pledge by the Company of its receivables to deposit accounts and various pledges of property rights (please refer to paragraph 11.1.2 of Part XIV for further detail). The pledge by the Company of its receivables to deposit accounts and the pledge by Praxifin Holdings Limited of its entire equity interest in Livoberezhzhiainvest were subject to registration requirements pursuant to article 90 of the Companies Law Cap.113, whereby the grantor of the security is required to register the pledges within 42 days of the execution of the pledge agreements. These pledges were not registered within the prescribed time frame. There is a risk that "Bank Saint-Petersburg" OJSC would treat this non-registration as an event of default under the two term loan agreements. This may entitle the bank to exercise its rights to accelerate the repayment of any outstanding debt and enforce the pledges over the deposit accounts and Praxifin Holding Limited's entire equity interest in Livoberezhzhiainvest.

The Group's ownership interests or lease rights in land may be challenged

The Group acquired most of its ownership interests and lease rights prior to 1 January 2013. With effect from 1 January 2013, the Ukrainian government modified its state land registration system by introducing the unified State Register of Property Rights to Real Estate. Although the law formally acknowledges titles to property acquired and registered prior to 1 January 2013, such titles are not automatically registered in the State Register of Property Rights to Real Estate. A landowner can apply voluntarily to register its title in the new register. There is a risk that the state registrars or a third party may challenge ownership interests or lease rights in land because of their origin or former registration or for other reasons. This may lead to additional expenses and title risks for the Group. The new system is not yet fully operational with regard to the registration of land lease rights to the land plots in public ownership. Any such challenge could materially adversely affect the Group's business, results of operations, financial condition and prospects.

If the Group's ownership interests or lease rights in land are challenged, its construction projects may be delayed or cancelled

The Group's business includes the acquisition of ownership or lease interests in land plots and buildings in and around Kyiv and other major cities in Ukraine with a view to further development or redevelopment. Ukrainian land and property legislation is complicated and often ambiguous and/or contradictory. In particular, construction approval procedures are complicated and prone to challenge or reversal, and construction and environmental rules often contain requirements that are difficult or even impossible to comply with in practice. As a result, the Group's ownership interests and lease rights to land may be challenged by state or municipal authorities or third parties, which could result in the Group's construction projects being delayed or cancelled or the suspension of operations at completed properties in the future. Any such event could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group may be unable to achieve growth through acquisitions

As part of the Group's overall strategy, it is actively and selectively considering the acquisition of individual land plots and property portfolios in Kyiv and in other Ukrainian major cities for income generation and capital appreciation. Achievement of this acquisition strategy will depend on a number of conditions, including the Group's ability to identify suitable targets, complete satisfactory due diligence and obtain corporate, governmental and shareholder approvals, if required. Certain transactions will require the Group to obtain additional debt and equity financing that will substantially increase its financial leverage as a result. If the Group were to increase its indebtedness, it would be subject to increased risks including, but not limited to, its possible inability to pay interest when due, or to comply with other covenants, which may result in the foreclosure of assets or may require the Group to dispose of assets on disadvantageous terms, increased interest expense and exposure to interest rate fluctuations, and restrictive financial covenants that may reduce the Group's flexibility to conduct its operations. In addition, there can be no assurance that any future transactions will be completed on terms acceptable to the Group or at all. Specific transactions under consideration that are discussed in this document are subject to a number of risks and conditions precedent. In the event that transactions under consideration are delayed or are not consummated, the Group's ability to diversify and expand its property portfolio may suffer and the Group's prospects could be materially adversely affected. In addition, acquired properties may fail to perform as expected, and the Group may underestimate the costs associated with the development and construction of such properties, either of which circumstances could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group may not be able to manage its growth

The Group's operations may expand significantly over a relatively short period of time, both in terms of size and geographic location. It is likely that the operational complexity and scale of its projects and the responsibilities of its management will increase as a result of this expected growth, placing significant strain on the Company's management and other key personnel. For example, the jurisdictions in which the Company currently operates do not require that the Company create separate IFRS financial statements for each subsidiary. However, if, due to a change in the law of any of these countries, the Company is required to create separate IFRS financial statements in the future, the Company could face significant cost and time increases, especially given the number of subsidiaries and expected growth, which may have a material adverse effect on the Company's business, financial condition and results of operations. The Company will need to continue to improve its operational and managerial controls and procedures to keep pace with this expected growth. If the Company fails to manage this expected growth effectively, it may not be able to execute its business plans, which could have a material adverse effect on its business, financial condition and results of operations.

Company intends to attract additional financing, first of all from financial institutions, for the Development Properties. There is a risk that due to limited availability of debt financing the Company cannot attract development credits and complete the Development Properties according to intended deadlines

The Company may encounter difficulties in securing debt financing as a result of an unwillingness of local and foreign banks to finance projects in countries in which the Company currently operates or into which the Company may expand. Banks may also impose comparatively high interest rates for such finance compared to Western Europe, and as a result the Group may not be able to enter into loans on commercially acceptable terms. Any lack of availability of commercially acceptable debt finance for the Company's development projects could have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in the law could adversely affect the Group's properties

Various laws and regulations, including title registration requirements, fire and safety requirements, environmental regulations, land use restrictions and taxes affect the Group's properties. If such properties do not comply with the requirements of these laws and regulations, the Group may incur governmental or civil fines, or be compelled to abandon its projects or incur increased costs in completing development projects at such properties. New or amended laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose restrictions on the development, construction or sale of properties. Such laws, rules, regulations or ordinances may also adversely affect the Group's ability to operate or resell properties. Any such circumstances could materially adversely affect its business, results of operations, financial condition and prospects.

The Group may not be able to renew leases or re-lease space on favourable terms, or at all, as leases expire

Once completed, the financial performance of the Group's office and retail properties will depend on the Group's ability to let available space. If tenants decide not to renew their leases upon expiry, the Group may not be able to re-lease their space on terms as favourable as those contained in the expired leases, if at all. If tenants do not renew their leases, the Group may need to expend significant time and money to attract replacement tenants. If the Group cannot promptly renew the leases or re-lease the relevant space, or if the rental rates upon renewal or re-leasing are significantly lower than the expected rates, then the Group's business, results of operations, financial condition and prospects may be materially adversely affected. In addition, in connection with any renewal or re-leasing, the Group may incur costs to renovate or remodel the space. Consequently, the Group's operating income could be reduced, which could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Competition for acquisitions or an over supply of properties for sale or to let could adversely affect the Group

Other real estate investors compete with the Group for investment opportunities. These competitors include local developers and international developers or institutional investment funds. Competition is likely to increase prices for development sites and put more pressure on the Group's efforts to dispose of properties, which may result in lower sales prices. Any increases in prices for acquired sites or decreases in prices for properties to be sold by the Group could impair its growth prospects or reduce its available financial resources and materially adversely affect its business, results of operations, financial condition and prospects. In addition, the Group competes with other owners, operators and developers of office, residential and retail properties. Its properties, once completed, will face significant competition from similar properties in the same market segments. Such competition may affect the Group's ability to sell completed developments or, in relation to investment properties, attract and retain tenants, resulting in lower than expected rental rates. The properties operated by the Group's competitors may have higher vacancy rates, which may result in their owners being willing to make space available at lower rental rates than space in the Group's properties. In addition, the Group's retail properties will compete with other retail distribution channels in attracting customers. These circumstances, either alone or in combination, could materially adversely affect the Group's business, results of operations, financial condition and prospects.

The Group could be subject to liabilities if it is determined that its past actions violated Ukrainian corporate laws or regulations

Ukrainian corporate laws and regulations have developed considerably since Ukraine's transition to a market economy. Some of these laws and regulations contain ambiguities, imprecision and inconsistencies, which make compliance with them difficult. As a result, the Group's past transactions may not have complied with all corporate formalities. In particular, the Group may not have complied or may not have fully complied with all of the technical requirements of Ukrainian corporate law with respect to net assets sufficiency, certain transfers of interests in the Group's subsidiaries, convocation and the holding of general shareholders' meetings, reporting requirements for joint stock companies, reorganisations and the formation of charter capital. These instances of noncompliance with applicable laws and regulations may result in fines, warnings from governmental authorities, a request from governmental authorities to remedy the violations within a prescribed time period, the inability to increase the share capital of a joint stock company until the violation is remedied, requests for mandatory winding-up proceedings or requests to unwind a previous transaction. To date, the Group has not received any notice of violation from any third party or governmental authority, and although it does not expect that any party would seek to review or modify any of the transactions listed above or challenge such irregularities, there can be no assurance that this will not occur. Any successful challenge to prior transactions could materially adversely affect the Group's business results of operations, financial condition and prospects.

Risks Relating to Investments in Real Estate

Property risk

Property and property related assets are inherently difficult to value due to the individual nature of each property and the fact there is not necessarily a liquid market or pricing mechanism. As a result, valuations may be subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sale price even when such sales occur shortly after the valuation date. The performance of the Group and the value of its assets would be adversely affected by a downturn in the relevant property market. The market values of and the rental income from properties owned by the Group will generally be affected by the supply and demand for properties, which in turn may be affected by overall conditions in Ukraine, such as growth in GDP, employment trends, inflation and changes in interest rates. Changes in GDP may also impact employment levels and incomes, which in turn may impact the demand for premises.

Both property values and rental income may also be affected by other factors specific to the real estate market, such as competition from other property owners; covenants, conditions, restrictions and easements relating to properties; the perceptions of prospective buyers or tenants of the attractiveness, convenience and safety of properties; or acts of nature, such as earthquakes and floods, which may damage properties. The value of the Group's properties may also be affected by the Group's ability to pay for adequate maintenance, insurance and other operating costs, including taxes, which could increase over time. In circumstances in which a member of the Group provides a deposit in respect of a property purchase (or an option to purchase property), the Company may be liable to forfeit such deposit to the extent that it is not able to pay the outstanding balance in relation to the purchase. Any such forfeiture may adversely affect the Company's Net Asset Value and therefore the value of Ordinary Shares. Investments in properties are relatively illiquid and more difficult to realise than equities or bonds. The Company intends to perform NAV valuations semi annually. The price of shares may not accurately reflect the value of its underlying assets at or between valuations.

Illiquidity of the property market

The property market is affected by many factors, such as general economic conditions, the availability of financing, interest rates and other factors, including investor/buyer supply and demand, which are beyond the Company's control. Investments in real estate are relatively illiquid and are generally more difficult to realise than other investments. The Company cannot predict whether it will be able to sell that property for the price or on the terms set by it, or whether the price or other terms offered by a prospective purchaser would be acceptable to it. Nor can the Company predict the length of time needed to find a willing purchaser and to complete the sale of a property. The Company may be required to expend funds to refurbish or to make improvements before a property can be sold. The Company cannot be certain that it will have funds available to correct such defects or to make such improvements. This may affect the Group's ability to dispose of or liquidate all or part of its projects in a timely manner and at satisfactory prices in response to changes in the economic or political environment, the real estate market or other conditions which could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Development risk

The Group's pipeline projects, including the Development Projects, are currently in the early stages of development. The desired development schedule of the Company presumes that acceptable financing can be obtained for the projects, which will depend on the borrowing market for real estate assets. A lack of opportunities to borrow on favourable terms may result in delays in the development schedule of the Company. In the course of development, construction costs may overrun the original estimates due to increases in labour, materials and other costs that could adversely affect completion, the yield on completion and the cash balances of the Group. Development is highly dependent on promptly obtaining the required permits and approvals, such as construction permits, planning permissions and the approval of technical specifications. In extreme cases these tasks and the lack of regulatory co-operation by the relevant regulatory authorities may result in complete abandonment of a project. Whilst it is the intention of the Directors to manage conservatively the extent to which the Company is exposed to development risk in respect of the Development Projects, the returns on the Ordinary Shares may nevertheless be adversely affected due to such risk.

Construction risk

The Group depends on general contractors and other contractors on construction tasks, since no construction work is undertaken by the Company. The Company is looking for the best possible quality to be provided by their contractors; however, in some cases building works may prove defective with continued use. Any guarantee fund of the contractor may not be enough to cover the complete cost of repairing any damage, the contractor may become insolvent and no damages may be recovered at all, or the Company's ability to bring a claim may be time barred, thus resulting in cost overruns for the Company. In the course of construction the original budget estimate may increase due to fluctuations in market conditions for a particular budget category, such as labour or materials, labour force strikes, unexpected acts of nature or planning conditions being made more onerous by relevant authorities.

Infrastructure contributions

Ukrainian infrastructure in large cities is generally functional albeit in a highly dilapidated condition, which may influence the normal course of business of the Company, requiring excess funds to mitigate negative externalities arising as a result of this. As part of planning permission provision procedures, civil authorities require developers to provide monetary contributions to the local municipality. These form a considerable part of project budgets and could have a material effect on the results of the Company's operations. Since 14 January 2009, civil authorities are no longer permitted to require contributions in kind from a developer. However, the restriction applies only to new land lease agreements concluded after that date. All prior obligations in kind remain valid, unless contested by the developer. Such contributions may be made by way of either the construction of certain infrastructure projects by developers at the developers' own cost, or the provision of part of the development for municipal use. These actions may or may not incur the transfer of the title to the municipality to that part of the development. The developer may also agree with the authorities that it will provide certain infrastructure at its own cost and reduce its monetary contribution accordingly (for example, in situations where utilities do not already exist). The developer may also voluntarily choose to provide local infrastructure and social facilities in order to gain the trust of and good credit from the civil authorities. If a development project is acquired under an investment tender or a similar procedure, certain commitments to provide infrastructure or other facilities could form part of such tender. The Company is currently indemnified by RRE against various potential claims from the civil authorities, including claims relating to the M26/RayON project. However, there is a risk that such indemnities will be terminated on Admission, exposing the Company to potential liability.

Economic risk

The property market worldwide is cyclical and thereto at any given time the business of the Company depends on the state of the business cycle in the European market, and in Ukraine. Any recession in the property market could materially adversely affect the value of the Group's properties. Returns from an investment in property depend largely upon the amount of rental income generated from the property and the costs and expenses incurred in the maintenance and management of the property, as well as upon changes in its market value. Rental incomes and the market value of properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use, zoning and planning restrictions, environmental protection and safety, and other matters. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's property portfolio.

Potential environmental liability

Under various laws and regulations and based on available jurisprudence, an owner of property may be liable for the costs of the removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for the presence or removal of, these substances. The owner's liability in relation to any property is unlimited and generally hard to predict, and could potentially exceed the value of the property and/or the aggregate assets of the owner. These laws typically impose clean-up responsibility and liability on the party that caused the contamination of the site. Even if more than one person may have been responsible for the contamination each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. The presence of such substances, or the failure to properly remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on any return from such investment.

Insurance may not cover all losses relating to the Group's properties

The Company arranges insurance for the Group's developed properties that is customary for similar properties in the area. However, certain types of losses, such as war and terrorism, are either uninsurable or not economically insurable. Losses that are not covered by insurance may have a material adverse effect on the Group's business, results of operations and financial condition. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, changes in building codes and ordinances, and environmental considerations. The Company may incur significant losses or damage to its assets or business for which it may not be compensated fully or at all. In addition, its insurance policies may not cover the current aggregate market value of its portfolio, particularly as the market value of its portfolio increases, but will cover the balance sheet value or the amount required for complete restoration. As a result, the Company may not have sufficient coverage against all of the losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose capital invested in the affected properties as well as anticipated future revenue from those properties. In addition, the Company could be liable to repair damage caused by uninsured risks. The Company may also remain liable for any debt or other financial obligation related to damaged properties. The Company may require additional funding or debt financing due to uncompensated losses or liabilities to repair damage to its assets or business without the benefit of adequate insurance proceeds, which it may be unable to obtain on commercially reasonable terms or at all. In addition, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Company's business, financial condition and results of operations.

The discovery of archaeological artefacts could result in delays to or the suspension of construction at the Group's projects

Prior to the acquisition of any property, the Group endeavours to ensure that such property is not subject to significant archaeological restrictions, and the Group intends to continue this practice. Nonetheless, archaeological remains may be discovered, particularly during the construction phase, requiring the Group to suspend construction, notify the local authorities and obtain permission to continue construction of the project. These permissions may be delayed or may not be obtained at all. Prolonged delays or the inability to continue construction on a property site could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Risks Relating to Ukraine

Ukraine's economic, political and social conditions

Since independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Soviet Union to an independent sovereign state. Concurrently with this transformation, Ukraine is progressively changing to a market economy. Although some progress has been made since independence to reform Ukraine's economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms.

The Company's return on its investments and prospects are subject to economic, political and social developments in Ukraine and the CEE region in general. In particular, the Company's return on its investments may be adversely affected by:

- changes in Ukraine's and/or other CEE countries' political, economic and social conditions;
- local conditions such as an over-supply of similar properties or a reduction in demand for the properties;
- a deterioration in the Group's ability to collect rent from tenants;
- risks associated with construction activity at the properties, including delays, the imposition of liens and defects in workmanship;
- changes in policies of the government or changes in laws and regulations, or the interpretation of laws and regulations;
- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases; and
- changes in the rate or method of taxation.

Any negative change in one or more of these factors listed above could adversely affect the Group's business, results of operation and financial condition. The profitability of an investment in the Group's Shares will depend on factors such as these. The Company's investments, as well as its future prospects, would be materially and adversely affected by an economic downturn in Ukraine and in the CEE region in general. The financial operations of the Company may also be adversely affected by the performance and changing financial conditions of any parties doing business with the Company. Investors should be aware that the past performance of Ukrainian real estate investments might not be indicative of future results of the Group's operations.

Reprivatisation

Ukrainian legislation may not effectively protect private businesses from the risks of possible expropriation, renationalisation and reprivatisation that may result upon contested privatisation results. In particular, should the results of any land lease or land freehold allocations be successfully challenged, it may significantly influence the business of the Group.

Political instability risk

Ukraine is viewed as possessing one of the most politically active societies in Eastern Europe, yet it is unstable and prone to social unrest. In the past, social unrest over electoral results has caused interruptions to business and finance processes within the Group. Heated political rivalry between the supporters of the main political parties in the country might result in social unrest. Should Ukraine experience political instability or social unrest in the future, this may have a material adverse effect on the Group's business, financial condition and results of operations, and could lead to an interruption or suspension of the Group's development activities.

Impact of law and governmental regulation

The Group and the developers it deals with will need to comply with laws and regulations relating to planning, land use and development standards. The institution and enforcement of such laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Company's property portfolio. Similarly, changes in laws relating to the ownership of land could have an adverse effect on the value of Ordinary Shares. New laws may be introduced which may be retrospective and affect environmental planning, land use and development regulations. The Company could be adversely affected by delays in, or a refusal to grant, any required governmental approval for any particular investment, as well as by the application to the Company of any legal or administrative restriction on making investments. The legal systems of the countries in which the Company intends to invest may also not afford the Company the same level of certainty in relation to issues such as title to property-related rights as may be achieved in more developed markets. The enforcement of legal rights may prove expensive and difficult to achieve.

Risks associated with emerging markets, including Ukraine

Investors in emerging markets such as Ukraine should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Investors should also note that emerging economies such as Ukraine's are subject to rapid change and that the information set out in this document may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisers before making an investment in the Shares.

Official statistics and other data in this document may not be reliable

Official statistics and other data published by Ukrainian state authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases than those used in more developed countries. The Company has not independently verified such official statistics and other data, and any discussion of matters relating to Ukraine in this document is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this document have been extracted from official governmental sources in Ukraine and were not prepared in connection with the preparation of this document. The Directors accept responsibility only for the correct extraction and reproduction of such information.

Corruption and money laundering may have an adverse effect on the Ukrainian economy

Independent analysts, including the Financial Action Task Force on Money Laundering ("FATF") and Transparency International, an anti-corruption body based in the UK, have identified corruption and money laundering as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation which came into force in June 2003, the National Bank of Ukraine and other state authorities, as well as various entities performing financial transactions, are required to closely monitor certain financial transactions for evidence of money laundering. The currently effective anti-corruption law was adopted on 7 April 2011. Simultaneously major amendments were introduced to the criminal and procedural laws of Ukraine. Although the legislation is expected to facilitate anti-corruption efforts in Ukraine, there can be no assurance that the laws will be effectively applied and implemented by the relevant supervising authorities. Any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investment and have a negative effect on the Ukrainian economy, and on the Group's business, results of operations and financial condition.

The Ukrainian economy is sensitive to fluctuations in the global economy

Ukraine's economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In addition, because Ukraine is a major producer and exporter of metal and agricultural products, the Ukrainian economy is especially vulnerable to world commodity prices and/or the imposition of import tariffs by the United States, the European Union or other major export markets. Any of such developments may have negative effects on the economy of Ukraine, which in turn may adversely affect the Group's business, financial condition and results of operations.

Ukraine's evolving legal system is subject to risks and uncertainties

Since independence in 1991, as Ukraine has been transforming from a planned to a market based economy, the Ukrainian legal system has also been developing to support a market based economy. Ukraine's legal system is, however, in transition and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to:

- provisions in laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted;
- inconsistencies between and among the Constitution of Ukraine, laws, presidential decrees, and Ukrainian governmental, ministerial and local orders, decisions, resolutions and other acts;
- inconsistencies between the central state legislation and decisions and resolutions of local municipalities;
- different, and sometimes controversial, local practices relating to the interpretation and application of the laws of Ukraine;
- the lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism for exercising constitutional jurisdiction by the Constitutional Court of Ukraine;
- the relative inexperience of judges and courts in interpreting Ukrainian legislation;
- the general inconsistency in the judiciary's interpretation of Ukrainian legislation in identical or similar cases (there is no doctrine of precedent in the Ukrainian legal system);
- corruption within the judiciary; and

- a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

Furthermore, several fundamental Ukrainian laws either have only recently become effective or are still pending hearing or adoption by the Ukrainian Parliament. For example, with effect from 1 January 2004, Ukraine adopted a new civil code, a new economic code and a new mortgage finance law. With effect from 1 January 2011, Ukraine adopted a new tax code. Real estate, land and construction laws and regulations have changed substantially every few months over the last few years. The recent origin of much of Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt, and result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts with regulatory authorities. These and other factors that impact Ukraine's legal system make an investment in the Shares subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

In addition, there are uncertainties relating to Ukraine's judicial system, which may make legal recourse and enforcement against the Group difficult or impossible. The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the Constitutional Court of Ukraine is the only body authorised to exercise constitutional jurisdiction (and has generally demonstrated impartiality of judgment) the system of constitutional jurisdiction itself remains too complicated to ensure the smooth and effective removal of discrepancies between the Constitution of Ukraine and the constitutional legislation, on the one hand, and various other laws of Ukraine, on the other hand.

The system of general and specialised courts is under-staffed and under-funded. Judges and courts are generally inexperienced in business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all Ukrainian legislation is readily available to the public or organised in a manner that facilitates understanding. Court decisions are not open to public access and, therefore, may not serve as guidelines in interpreting applicable Ukrainian legislation to the public. Moreover, courts themselves are not bound by earlier decisions taken under the same or similar circumstances, which results in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. The Ukrainian judicial system became more complicated and hierarchical as a result of recently introduced judicial reform. The expected result of the judicial reform is that the Ukrainian judicial system will become even slower.

Enforcement of court orders and judgments can, in practice, be very difficult in Ukraine. The State Execution Service, a body independent of the Ukrainian courts, is responsible for the enforcement of court orders and judgments in Ukraine. Often enforcement procedures are very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient bank account funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. In addition, the State Execution Service has limited authority to enforce court orders and judgments quickly and effectively. Ukrainian enforcement agencies are bound by the method of execution envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable. Furthermore, notwithstanding the successful execution of a court order or a judgment, a higher court may reverse the court order or judgment and require that the relevant funds or property be restored to the defendant. Moreover, in practice the procedures employed by the State Execution Service do not always comply with applicable legal requirements, resulting in delays to or failures in the enforcement of court orders and judgments. These uncertainties also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights or responsibility to investors and, in certain cases, the courts may not enforce these rights. Even when the courts take a consistent approach in protecting the rights of investors granted under applicable Ukrainian legislation, the government and/or the parliament of Ukraine may attempt to introduce retrospective legislation to overrule such court decisions. These and other factors that impact on Ukraine's judicial system make an investment in the Shares subject to greater risk and uncertainty than an investment in a country with a more developed judicial system. Ukrainian regulatory or overseeing authorities reportedly in the past have exacted arbitrary and unlawful judgments or prosecutions of businesses, attempting extortion, coercion or corporate raiding. At any given time, the Company may not be in position to effectively defend its interests in Ukrainian courts.

Decisions of Ukrainian courts

One of the features of Ukrainian judiciary is that decisions of Ukrainian courts that enter into effect and are enforceable are not necessarily final. They may still be appealed to the Higher Courts even beyond the time limits for such appeals because the Higher Courts frequently extend such time limits. Moreover, in the case of the Higher Administrative Court, the appellate review of effective judgments, even if properly appealed, may take two to three years due to its extensive caseload. Therefore, the fact that a particular judgment, which was handed down in a particular dispute, has become effective and binding does not necessarily signify that it has become final and may not be subject to further review.

Disclosure and reporting requirements and fiduciary duties

Disclosure and reporting requirements have only recently been enacted in Ukraine. Anti-fraud legislation has only recently been adapted to the requirements of the market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures that are in line with Western or European standards. The concept of fiduciary duties of management or members of board of directors to their companies or shareholders is not as developed in Ukraine as it is in the United States or Western Europe. Whilst the Group considers that it has adequate corporate governance and internal reporting procedures in place, violations of disclosure and reporting requirements or breaches of fiduciary duties by the Group's Directors or to the Group's Shareholders could significantly affect the receipt of material information or result in inappropriate management decisions, which in turn may materially adversely affect the value of an investment in the Shares.

Risks Relating to the Ordinary Shares

Investments in AIM-listed securities carry higher risks

The Ordinary Shares will be admitted to AIM and it is emphasised that at this time no application is being made for admission of the Ordinary Shares to the Official List or to any other stock exchange. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The AIM Rules are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares, particularly because, on Admission, the Company will have a limited number of Shareholders. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control. Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares.

The Company is primarily a holding company and its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds

Shareholders should note that payment of any future dividends (final and interim) will be at the discretion of the Board after taking into account various factors, including the Company's operating results, financial condition and current and anticipated cash needs, future prospects and other relevant factors, including tax and other legal considerations, including the availability of distributable reserves. The timing and extent of the future payment of dividends will be dependent, *inter alia*, on: the performance of its existing properties; the development of its existing properties; changes in the taxation rates and/or rates applicable to the income receipts of and/or the payment of distributions by the Company; and the decisions taken by the Board with regard to the divestment of properties acquired by the Company and potential reinvestment of the proceeds in light of market conditions and opportunities available to the Company pertaining at the time. Because the Company conducts business through its Ukrainian subsidiaries, its ability to pay dividends to Shareholders is subject to regulatory, legal and financial restrictions and depends on the realised earnings and cash flows of these subsidiaries and their ability to distribute dividends and advance funds to the Company. Other contractual and legal restrictions applicable to the Company's subsidiaries could also limit the Company's ability to obtain cash from its subsidiaries. The Company's rights to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including any trade creditors or preferred shareholders. The payment of dividends to the Company by its Ukrainian subsidiaries is also subject to a number of procedural requirements. The Company's Ukrainian subsidiaries are required to submit documents evidencing the Company's investment in shares of its Ukrainian subsidiaries in order to convert the dividends into US Dollars and transfer them outside Ukraine. As a general rule, a 15 per cent. Ukrainian withholding tax must be withheld at source in Ukraine on payments of dividends to the Company, unless the Company is entitled to the benefits of Cypriot/Ukraine double taxation convention (in which case there will be no withholding tax for dividends paid from Ukraine to Cyprus). The Company will have the foregoing benefits of the Cypriot/Ukraine double taxation convention if it satisfies the procedural requirements of Ukrainian tax legislation, namely by providing Ukrainian tax authorities with a tax residency certificate attesting to the Company's tax residency in Cyprus. There can be no assurance that further restrictions on the payment of dividends to a non-Ukrainian Shareholder will not be applied in Ukraine in the future.

There has been no prior market for the Ordinary Shares, the offer may not result in an active or liquid market for the Ordinary Shares, and their price may be highly volatile

Prior to Admission, there has been no market for the Ordinary Shares. The Placing Price has been agreed between the Company and Placees and may not be indicative of the market price for the Ordinary Shares following Admission. Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that it will be maintained following Admission, or that the Subscription Price will not decline below the share price at Admission. If an active trading market is not developed or maintained, the liquidity and market price of the Ordinary Shares could be adversely affected.

Future issuances or sales of Shares

As set out in paragraph 13.2 of Part XIV, RRE, SRE and Vunderbuilt have each entered into a lock-in agreement pursuant to which they have agreed not to dispose of their Shares (and have agreed to procure that no affiliated companies dispose of their Shares), subject to certain exceptional circumstances, for a period of 12 months from the date of Admission and, thereafter, the Shares held by these Shareholders (and their affiliates) will be subject to an orderly market arrangement for a further 12 months. However, there can be no assurance that these Shareholders will not elect to sell their Shares. The market price of the Shares could decline as a result of any such sales of Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur in the future, the Company may have difficulty in offering or selling Shares at a time or at a price it deems appropriate. In addition, any future equity offerings by the Company may reduce the percentage ownership of the existing Shareholders of the Company. Newly issued Shares may have rights, preferences or privileges attached to them that are senior to those attached to the offered securities.

The Company's Key Shareholders may take actions that are not in line with, or may conflict with, its public shareholders' best interests or the interests of the Company

On Admission, the Key Shareholders (and their affiliated companies) will have interests in approximately 76.3 per cent. of the Increased Issued Share Capital. As a result, the Key Shareholders collectively will have the ability to determine the outcome of all or substantially all matters to be decided by a shareholder vote at a shareholders' meeting including, but not limited to, actions that require the approval of a majority of shareholders such as the removal of all existing directors and the election of new directors, the determination of the Group's business strategies and policies, the amendment of the Company's Articles, the payment of dividends and the approval of mergers, acquisitions, divestitures and other corporate action that may require shareholder approval. In addition, the Key Shareholders will be able to prevent or cause a change of control and may discourage bids for the Shares at a premium over the market price. The interests of the Key Shareholders and other holders of Shares may not always be aligned, which could materially adversely affect the Company's business, financial condition and results of operations. Prior to Admission, the Key Shareholders were parties to a number of agreements relating to the Company. The Company can give no assurance that none of the Key Shareholders will, in the future bring an action or a claim with respect to an alleged breach of these agreements.

Volatility of the value of the Company's Ordinary Shares

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover any or all of their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity. In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are external. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or the absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

Takeover protection laws not applicable

Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004 on takeover bids (the "Takeover Directive") does not apply to listings on unregulated markets such as AIM. The Takeover Directive has been incorporated into the laws of Cyprus in the Law for Making Provisions for Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters (the "Takeover Law"). Pursuant to the Takeover Law, any person who, together with those acting in concert with him or her, acquires "control" of a company having its registered office in Cyprus, is required to make a mandatory offer to all holders of securities of the company. Cypriot law does not have provisions similar to the City Code in the UK that also apply to unregulated markets such as AIM. The Articles include provisions which endeavour to provide Shareholders with a suitable level of protection as would be afforded by the City Code. However, it is possible that an offeror may gain control of the Company in circumstances in which non-selling Shareholders do not receive, or are not given the opportunity to receive, the benefit of any control premium paid to selling Shareholder(s).

Financial turmoil in emerging markets

The financial turmoil in emerging markets has adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from these factors, or other similar factors that may arise in other emerging markets or otherwise, will not adversely affect the price of the Shares even if the Ukrainian economy remains relatively stable.

Shareholder tax

Investors should seek and take their own tax advice as to the consequences of owning Shares as well as receiving returns from it. In particular, investors should be aware that ownership of Shares can be treated in different ways in different jurisdictions. Due to the manner in which the Company may finance the acquisition of its property investments, a proportion of the income of the Company may arise from interest income earned from the Company's uninvested cash surpluses or similar.

Forward-looking statements

All statements other than statements of historical fact in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from future results, performance, achievements or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Net Asset Value, present and future business strategies, income flows and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company.

PART V

Ukraine: The economy, the environment and the real estate market

Background of Ukraine

Ukraine is the second largest country in Europe by land mass, bordering the Russian Federation to the east and northeast; Belarus to the northwest; Poland, Slovakia and Hungary to the west; Romania and Moldova to the southwest, and the Black Sea and the Sea of Azov to the south and southeast, respectively. Its strategic location between Europe and Eurasia and next to the Black Sea has always made it a transit country for trade.

Ukraine gained independence in 1991 following the unravelling of the Soviet Union and the establishment of the Commonwealth of Independent States (CIS). After its economic decline in the 1990s (which most states of the former Soviet Union experienced), it was only in the early 2000s that the Ukrainian economy began to stabilise and improve. During the Soviet era, Ukraine was renowned for its large manufacturing and engineering base (especially for its weapons and space/aviation technology), metallurgic industry and agriculture. Many of the enterprises that were active in these industries in the Soviet era remain active in Ukraine today, although the emphasis of economic activity has shifted more towards metallurgic base materials production. Agriculture remains an important part of the economy with a huge, unused potential; and Ukraine remains among the largest grain exporters in the world.

Key statistics

- Population – 44.57 million
- GDP per capita (2012) – US$7,500
- Annual inflation (2012) – 0.6 per cent.
- Average monthly salary (2012) – UAH 3,026

Overview of the Ukrainian Economy

GDP and unemployment

In 2010–2011 Ukraine experienced a GDP growth rate of around 4 per cent. per annum. In 2012 the GDP growth rate fell to 0.2 per cent. primarily due to the effect of the slowdown in the global economy on Ukraine's main exporting industries, metallurgy, construction and cargo transportation. However, in the same year unemployment decreased to 7.5 per cent. and private consumption continues to recover, moving closer to pre-2008 levels.

Budget deficit and foreign debt

Ukraine's foreign debt was 76 per cent. of GDP in 2012 and the budget deficit is expected to be reduced to 0.8 per cent. of GDP in 2013 (from 1.7 per cent. in 2012). Before 2009 Ukraine's foreign debt was below 56 per cent. of GDP and the increase in debt is mainly due to a standby facility in the amount of US$16.5 billion which was agreed between Ukraine and the IMF in the wake of the financial crisis (of which US$13 billion is currently owed to the IMF).

Although Ukraine has a lower debt to GDP ratio than many other European countries, its deficit remains an important political issue because the government has faced difficulties with raising funding in the wake of the financial crisis. In particular, Ukraine did not receive the final tranches of the IMF stand by facility as scheduled in 2011, due to its non-compliance with the IMF requirements (by introducing complex reforms in the country's pension system and increasing gas tariffs for the population). It is uncertain as to whether Ukraine would be able to renew the IMF stand by facility, because the IMF has required the Ukrainian authorities to effect certain reforms before this can be achieved. The reforms are widely seen as unavoidable but remain controversial. For instance, the reforms would likely lead to an increase in utility prices for Ukrainian households, which would negatively impact household budgets. The reforms could also force many companies in the metallurgic industry to reinvest in and modernise their factories because the withdrawal of subsidies would make many plants economically unviable. Hence, the reforms could be a factor in stimulating and modernising the Ukrainian economy, and in reducing the economic effect of the current dependence on Russian gas imports.

Geopolitical situation

Ukraine's position between the European Union and Russia means that it is located between two spheres of influence. Russia and the European Union are in discussions to establish positive relations with Ukraine and forge strategic partnerships, although the issues remain complex and sensitive. An association treaty was negotiated with the EU but its signing is subject to a number of conditions, including the institution of judicial and political reforms in Ukraine and the resolution of political discord over the imprisonment of Yuliya Timoshenko. In addition, Ukraine recently entered into a free trade agreement with the CIS which would suggest that it is trying to maintain a balance between Ukraine's relationship with the West and its relationship with Russia.

Political situation

Following the 2004 "Orange revolution", which saw the rise of the former Ukrainian president Viktor Yushchenko and his one-time ally, former prime minister Yuliya Timoshenko, Ukraine experienced significant growth and witnessed an increase of foreign direct investment into its economy. The later rivalry between Yushchenko and Timoshenko and the lack of tangible reform, as a result of, and in combination with, the worldwide economic crisis, enabled current president Victor Yanukovich to be re-elected as president in 2009. During the last few years the political situation has deteriorated as Timoshenko and other former government officials have been imprisoned, or otherwise subjected to criminal proceedings, over alleged misconduct during their service in government. With the imprisonment of Timoshenko, the opposition has effectively been left without one of its top leaders.

Retail and Consumption in Ukraine

After the fall of the Soviet Union, the overnight availability of consumer goods and services and their affordability created a situation where a generation of young people adopted Western-style consumer practices. Overall retail sales have been rising, despite the economic shocks connected with the financial crisis of 2008–2009. Ukrainians are generally considered to contribute a greater proportion of their income to consumption compared with other certain European nations, such as Germany or France.

Kyiv Wages, Retail Turnover and Consumer Price Index (% change, year-on-year)

* – includes organized retail sales only
Source: Kyiv Statistics Office

Overview of the Ukrainian Real Estate Market

The Ukrainian real estate market began growing after Ukraine's economy recovered from the steep decline and instability of the 1990s. Following the "Orange revolution" in 2005, international interest in the real estate market increased and practically all sectors of the real estate market saw significant growth and influx of investment in the period between 2005 and the financial crisis of 2008–2009. In many respects, growth was unsustainable because rent levels and land and construction prices were very high even compared to international standards. The surge in prices was even more surprising if one takes into account the limited availability and affordability of real estate debt financing instruments.

The financial crisis of 2008–2009 led to a severe correction of the Ukrainian economy, with a reduction of GDP in 2009 of approximately 15 per cent. Rent levels and land prices decreased dramatically and real estate activity was reduced to a fraction of its pre-crisis levels. It is noticeable, however, that the drop in rent levels in shopping centres remained limited (and in many cases was only temporarily discounted) and vacancy levels remained low (below 10 per cent. overall) due to the lack of quality retail space and low overall supply.

As at early 2010, however, the retail real estate market recovered quicker and at a higher level than the residential, office and warehouse sectors. The residential, office and warehouse sectors still have neutral or negative forecasts. Retail sales were initially forecast to be negative for 2010 but the sector closed the year with year-on-year growth of 5 per cent. The recovery of wages had a large impact on growth in the retail sector. Between 2009 and 2011, the average wages increased by up to 17 per cent. and rose by a further 12.5 per cent. in 2012.

According to analysts, approximately 96,000 sq. m. of retail space was added in Kyiv in 2012. According to developers' declarations, six high-quality shopping centres with a total area of approximately 192,000 sq. m. are planned for delivery in 2013. Should all of the planned schemes be delivered, total retail stock is expected to reach approximately 878,100 sq. m. However, as at the end of 2012, the available retail stock of quality shopping centres in Kyiv was limited to 686,200 sq. m., resulting in one of the lowest quality retail stock saturations for capitals in the CEE region (at 244 sq. m per 1,000 inhabitants). In comparison, Warsaw had 788 sq. m of retail space per 1,000 inhabitants, with a much lower overall population. Management believes that this low saturation shows that the Kyiv retail market is below capacity and displays ripe opportunities for developers and investors in this sector that the Group is well placed to act upon.

Further developments of the Ukrainian retail market

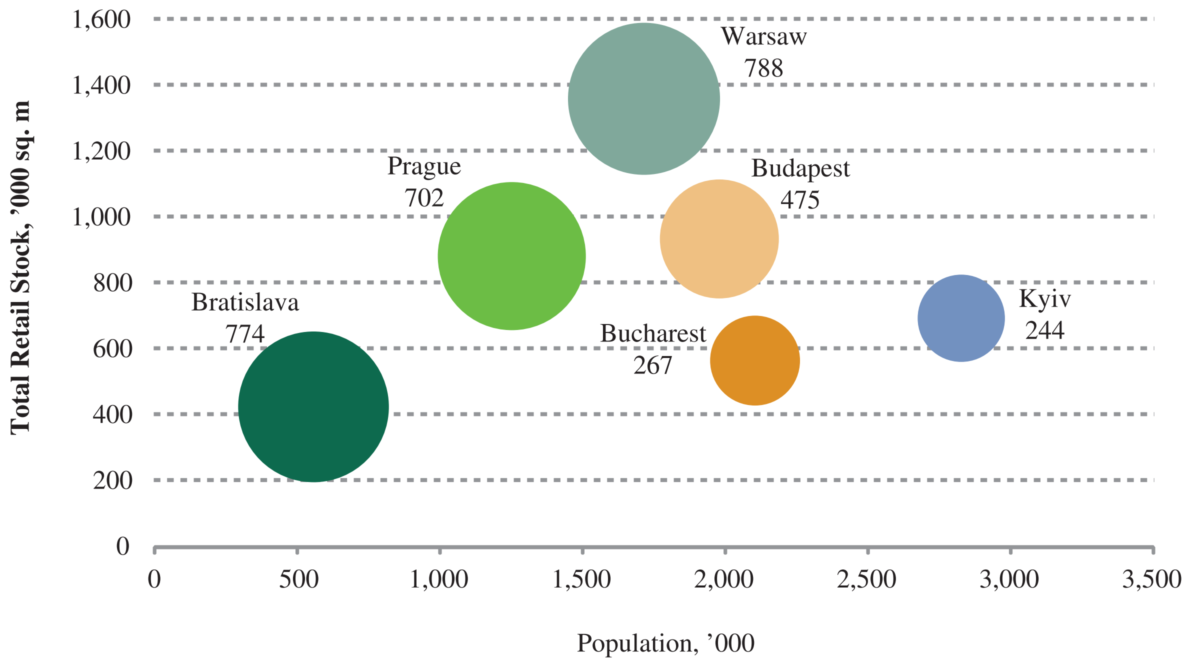
The fundamentals for the further development of the retail market in Ukraine are mostly structural in nature:

- Ukraine has both a sizeable population (45 million inhabitants) as well as a large network of cities (more than 68 per cent. of the population lives in urban areas);
- there is an ongoing shift from a bazaar economy to organised retail in combination with continued growth of retail sales, which is fuelling the increased market share of shopping centres in the overall retail sector;
- there is a lack of quality retail space and its continued under-supply in comparison to other CEE countries;
- new international retailers continue to enter the market both via franchise structures and direct expansion;
- market rents are predominantly denominated in US Dollars (payable in Ukrainian Hryvnia), which offers an effective hedging instrument for investors; and
- there is high direct investment returns compared with other CEE markets.

Metropolitan retail

Kyiv, being Ukraine's capital, enjoys the status of the most populated and developed city in the country. Kyiv is also the second wealthiest city in Ukraine after Donetsk. With a population of at least 2.8 million (according to official government statistics) and, by some estimates, up to 5 million (taking into account the estimated high numbers of unregistered migrants), Kyiv could be considered the largest capital city between Berlin and Moscow.

Retail Premises per 1,000 Inhabitants in Selected CEE Capitals, sq. m 2012



Source: CBRE

The growing middle classes have a high propensity to consume and is considered to be the prime retail market. As at the end of 2012, the total stock of quality retail space[1] in Kyiv constituted approximately 686,000 sq. m and was the largest compared to all cities in the country. However, this figure still suggests that the market is below its total capacity, being one of the least saturated among the CEE prime markets.

With the commissioning of two shopping centres — Phase I of Ocean Plaza (GLA – 72,000 sq. m.) and RayON (GLA – 24,000 sq. m.) — the new supply of professional retail space in 2012 amounted to 96,000 sq. m. The volume of the new supply, whilst not reaching the planned amount of 250,000 sq. m., was twice as high as in 2011. As a result, the total availability of quality retail space has increased by 16 per cent. year-on-year and stood at some 686,200 sq. m. as at the 2012 year-end. Thus, the rate of provision of quality retail space in Kyiv increased from 210 sq. m to 244 sq. m. per 1,000 people. Despite this improvement, analysts consider that the retail market in Kyiv is not yet saturated, especially when compared with other capital cities in Central and Eastern Europe.

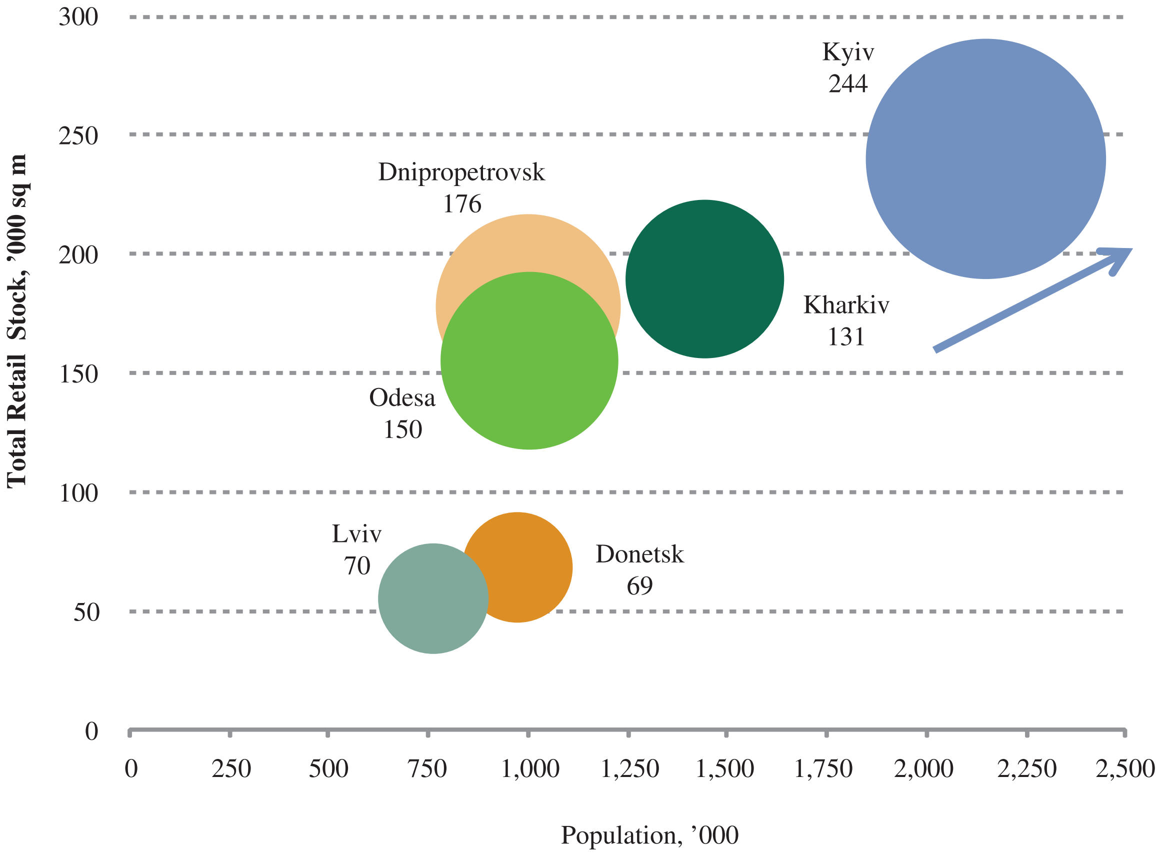
Although the economic downturn has taken its toll on the gradual and consistent increase in wages and amount of disposable income of Kyiv residents, wages are still the highest in the country. Formalised employment and a steady cashflow make it possible for Kyiv inhabitants to obtain more credit.

Regional markets

Increasing disposable income and decreasing inflation are contributing to the considerable growth of retail sales in Ukraine, which increased 13.7 per cent. in 2012. Cities with a population of over one million have demonstrated the highest absolute levels of retail turnover. At the same time, the growth rate of retail turnover in some smaller cities (for example, Simferopol) with a population of 300,000–500,000 people was much higher than the average figure for the country. According to analysts, sustained high rates of retail growth coupled with a shortage of quality retail space in the regional cities indicates that there is good potential for the development of the retail sector not only in Kyiv but also in the regional cities of Ukraine.

1 Quality retail space for this purpose means a retail property that is planned, built and managed as a single entity, comprising units and "communal" areas with a minimum GLA of 5,000 sq. m and where at least 50 per cent. of the tenant mix consists of chain retailers.

Retail Premises per 1,000 People in the Largest Cities of Ukraine 2012



Source: CBRE

There has also been a tendency for retail chains (both food and grocery chains and consumer electronics retailers) to increase their activity in cities with a population of less than a half a million inhabitants. These retailers usually hold anchor or sub-anchor status in retail developments in Ukraine. This trend is more evident in the south and east of Ukraine, where higher rates of income rates are recorded.

International retailers, particularly, clothing and apparel retailers, are also actively entering Ukraine's regional markets.

Retailers' interest in Ukraine's regional markets is partly associated with the increasing volume of construction and pipeline development. The total volume of new supply of retail space in 2012 in Ukraine's provincial cities added up to 130,000 sq. m.

Outlook

According to CBRE, Ukraine's retail market continues to be the most dynamic segment of the commercial real estate market as domestic consumption continues to rise in both Kyiv and the provincial cities. Should consumer demand stay strong, retail turnover is likely to continue rising, further fuelling the demand for high quality space among retailers. However, active expansion of retail chains is likely to continue to be constrained by the economic and political instability in the country.

CBRE data suggests that new supply of retail space in 2013 could reach 192,000 sq. m. in six developments. Another 320,000 sq. m of shopping centre space is scheduled for delivery in 2014–2015. The delivery of the planned volume, however, could be delayed, because postponements in construction are very common.

PART VI

Directors, Management and Corporate Governance

Board

The Board currently comprises one executive director and five non-executive directors, three of whom are independent. The Board intends to appoint another non-independent non-executive director in due course. Details of the Directors are set out below:

Rupert Cottrell (68), Independent Non-executive Chairman

Rupert has developed an extensive network of relationships in CEE as a result of a number of board positions that he has held. Rupert is the former chairman of the supervisory board of A.S. Magnum Medical, a pan-Baltic pharmaceutical group; a former director of New European Investments Limited, a closed private investment fund targeting Eastern European companies; and was a former Chairman of Carpathian plc, an AIM listed Eastern European commercial property fund, a subsidiary of which built The Galleria Shopping Mall in Riga. He was previously a non-executive director of The PFI Infrastructure Company plc, an AIM-listed infrastructure fund that was taken private in 2007, and was non-executive chairman of Infrastructure India plc, an AIM-listed infrastructure fund focused on India (before Guggenheim acquired a majority stake) and Diamond Circle Capital plc, listed on the Main Market of the London Stock Exchange. Rupert's background in financial services includes executive director positions at a number of London investment management firms and four years as a director of the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA), a financial regulator that is now part of the FCA. Rupert is a Fellow of the Chartered Securities Institute.

Emil Budilovsky (44), Chief Executive Officer

Emil joined Arricano as Chief Financial Officer in August 2012 and was appointed acting Chief Executive Officer in October 2012. He has an established track record in the real estate industry in the United States and CIS, with significant experience in deal creation and real estate transactions. He was previously Chief Financial Officer and executive director of AIM-listed MirLand Development Corporation plc, one of Russia's leading residential and commercial property developers. Prior to that, he was Chief Financial Officer at Adama Ukraine Limited, a subsidiary of Adama Public Holding Ltd, an international real estate developer. In addition, Emil has extensive experience in real estate investing and lending in two private equity funds operating in the US market. Emil also has experience of corporate finance and M&A with an Israeli investment boutique and Deloitte & Touche. Emil has a BA in economics and accounting, as well as an MBA from Tel Aviv University and an LL.B from the College of Management Studies (Tel Aviv). He is a member of the New York Bar.

Philip Scales (63), Independent Non-executive Director

Philip is managing director of IOMA Fund and Investment Management Limited ("IOMA"), part of the IOMA Group. IOMA specialises in the provision of third-party fund administration and investment management services. Prior to this, Philip spent 18 years as managing director of Northern Trust International Fund Administration Services (Isle of Man) Limited (formerly Barings (Isle of Man) Limited). He has over 35 years' experience working offshore, primarily in corporate and mutual fund administration, and currently holds a number of directorships of listed companies. IOMA provides secretarial and administrative services to 13 listed companies, including East Balkan Properties Plc, Metro Baltic Horizons Plc and Unitech Corporate Parks Plc. Philip is a Fellow of the Institute of Chartered Secretaries and Administrators.

Michael Zampelas (75), Independent Non-executive Director

Michael, together with his associates, established Coopers & Lybrand in Cyprus and Athens in 1970. He served the firm as its Chairman and Chief Executive Officer from its establishment in 1970 until 2001 (latterly as PricewaterhouseCoopers) and as a Non-executive Chairman from 2002 until 2005. He also served as an elected member of the board of the European Organisation of Coopers & Lybrand Europe from 1991 to 1999. Michael served as chairman of the board of a number of local government authorities and companies. Currently, he is the independent non-executive Vice Chairman of Eurobank Cyprus Limited and the independent Non-Executive Chairman of the Russian transport company, Globaltrans Investment Plc, listed on the Main Market of the London Stock Exchange. He was Mayor of Nicosia from 2002 to 2006. Since 1997, he has been the Honorary Consul General of Estonia in Cyprus, contributing to the development of the commercial and cultural relations between the two countries. He has played a significant role in the promotion of education, culture, community affairs and business in Cyprus. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Hillar Teder (50), Non-executive Director

Arricano was founded by Estonian entrepreneur Hillar Teder. Hillar has an extensive track record in building successful businesses. In 1995, he co-founded the Russian juice producer Multon that was sold to Coca-Cola in 2005. In 1997, he developed the Rocca Al Mare shopping centre in Tallinn, Estonia (32,000 sq. m) and which he sold to Citycon (Finland) in 2005. In 2000, he co-founded the Russian hypermarket operator and retail real estate developer, O'Key Group SA, which was listed on the Main Market of the London Stock Exchange in 2010. Since 2006 he has been active in real estate development in Ukraine.

Volodymyr Tymochko (32), Non-executive Director

Volodymyr is a director at Dragon Asset Management ("Dragon AM"), an investment managing company for DUPD, and his responsibilities include deal sourcing and the management of DUPD's real estate projects. Prior to joining Dragon AM, Volodymyr was an Associate Director for Consulting and Investment Services at Colliers International. He is also a director at J Comfort Neruhomist, a developer of Green Hills gated community and Korona Development.

Senior Management

Maxim Goncharuk, Chief Financial Officer

Maxim joined Arricano in 2009 as Financial Director and has been responsible since then for all financial matters relating to the Group, including its Ukrainian and Cypriot subsidiaries. Before joining Arricano, Maxim held various other financial positions, including that of Deputy Financial Director of AIM-listed Ukrainian developer XXI Century plc, Deputy Financial Director in MTS Ukraine, public company, Financial Director in one of the largest juice producers in Ukraine, Vitmark-Ukraine, and deputy finance director at Golden Telecom LLC.

Julia Schaslyva, Head of Leasing

Julia has worked as a Head of Leasing at Arricano since 2009, having held a similar position at Panorama Group prior to that. She has significant experience in leasing and property management, working from 1995 for Best Line Holding (Ukraine), achieving the position of company director by the time she left the company in April 2008. Julia oversees the leasing out and further management of all of Arricano's projects.

Yarema Kovaliv, Head of Legal

Yarema has been Head of the Legal Department at Arricano since October 2009. Prior to joining Arricano, Yarema, who has been a lawyer since 1998, was General Counsel at Panorama Group and head of the legal teams at O'KEY Ukraine LLC and MD Retail LLC. Yarema holds a specialist degree from the Precarpathian National University and a specialist degree from Kyiv National University, in law.

Key Shareholders

RRE, SRE and Vunderbuilt

RRE, SRE and Vunderbuilt (and their related entities) together have a direct interest in 44.08 per cent. of the Issued Share Capital. In addition, RRE holds the entire issued share capital of Weather Empire which, in turn, has an interest in 13.34 per cent. of the Issued Share Capital.

The ultimate beneficial holder of RRE, SRE and Vunderbuilt is Hillar Teder, further details about whom are set out above. Through RRE, SRE and Vunderbuilt (and other related entities), Hillar Teder is the majority Shareholder in the Company, who will hold 55.45 per cent. of the Increased Issued Share Capital. RRE and SRE have entered into a relationship agreement with the Company and Smith & Williamson, the terms of which are set out in paragraph 13.3 of Part XIV.

DUPD

DUPD has a direct interest in 20 per cent. of the Issued Share Capital.

DUPD is an AIM-listed real estate investment company focusing on development and redevelopment opportunities in Ukraine. DUPD will hold 12.51 per cent. of the Increased Issued Share Capital. DUPD's investment objective is to provide its shareholders with strong capital growth through existing opportunities in the retail, office and warehousing sectors in partnership with leading developers and operators. DUPD has entered into a relationship agreement with the Company and Smith & Williamson, the terms of which are set out in paragraph 13.4 of Part XIV.

Management incentive arrangements

The Directors believe that it is important that Directors and employees are appropriately and properly motivated and rewarded. The Company may consider adopting, as soon as is practicable following Admission, an appropriate share option scheme or other share incentive arrangement in which qualifying employees and directors, at the discretion of the remuneration committee of the Board, will be eligible to participate. In accordance with market standards, no more than 10 per cent. of the issued share capital of the Company from time to time may be available for any such share option scheme or share incentive arrangement.

Corporate Governance

The Board comprises three independent and two non-independent non-executive Directors and one executive Director. The Directors recognise the importance of sound corporate governance and intend to comply with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies, which they believe is appropriate for a company with shares traded on AIM. In particular, the Directors are responsible for overseeing the effectiveness of the internal controls of the Company designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded.

The Board will establish an audit committee with formally delegated duties and responsibilities, comprising at least two independent non-executive Directors. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported and monitored, including reviews of the annual and interim accounts, announcement of results, internal control systems and procedures, and accounting policies.

The Board will establish a remuneration committee with formally delegated duties and responsibilities, comprising at least two Independent Non-executive Directors. The remuneration committee will meet at least twice a year and will be responsible for setting the remuneration policy for the executives of the Company.

The Board will not have a nomination committee. The Board as a whole is responsible for determining from time to time whether it is appropriate to appoint new Board members.

The Company is committed to high standards of corporate governance. As a Cyprus-incorporated entity, the Company must comply with Cypriot law as well as the provisions relating to corporate governance set out in the Articles. However, the Company is not subject to the requirements of any Cypriot corporate governance rules, including the Cypriot Code on Corporate Governance, because it is not listed in Cyprus.

PART VII

Placing, Acquisition, Admission and Related Matters

Placing Agreement

Under the Placing Agreement, which may be terminated by Smith & Williamson in certain circumstances (including *force majeure*) prior to Admission, the Company has given certain warranties and indemnities to Smith & Williamson concerning, *inter alia*, the accuracy of the information contained in this document.

The Placing and Acquisition

Pursuant to the Placing Agreement, the Company has placed, conditional on Admission, a total of 10,300,423 Ordinary Shares at a price of US$2.33 per Ordinary Share, raising approximately US$24 million.

In addition, pursuant to the Share Purchase Agreements, on Admission, the Company will issue of 28,350,214 Ordinary Shares in consideration for the purchase of the shares of the SPVs that own the Development Properties. This equates to approximately US$66 million at the Placing Price.

Dealings in the Placing Shares and the Acquisition Shares on AIM are expected to commence on 12 September 2013. If any Placees request that their Placing Shares be issued in uncertificated form, it is expected that the appropriate CREST accounts will be credited with the Placing Shares comprising their Placing participation with effect from 12 September 2013. For those Placees who request that their Placing Shares be issued in certificated form, it is expected that certificates in respect of such shares will be despatched by post not later than 19 September 2013. Pending despatch of definitive share certificates or the crediting of CREST accounts, the Company's registrars will certify any instrument of transfer against the register.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares under the CREST system. All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST on the date of Admission and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 12 September 2013. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Lock-in and Orderly Market Arrangements

RRE, SRE and Vunderbuilt have undertaken (and agreed to procure that any affiliated companies undertake) not to dispose of any interest in their Ordinary Shares for a minimum period of 12 months following Admission except in the very limited circumstances allowed by the AIM Rules, such as a takeover offer for the Company.

Further, RRE, SRE and Vunderbuilt (and any affiliated companies) shall not for a further period of 12 months from the end of such lock-in period dispose of any interest in such Ordinary Shares otherwise than through the Company's broker from time to time, subject to the broker's terms being competitive with the terms being offered by other brokers and the sale price through the broker of any Ordinary Shares proposed to be disposed of is at least equivalent to the price that can be obtained elsewhere.

Relationship Agreements

RRE, SRE and Weather Empire have entered into a relationship agreement with the Company. DUPD has entered into a similar relationship agreement with the Company. These relationship agreements will govern the ongoing relationship and dealings between these major Shareholders and the Company in the interests of good corporate governance. Details of the terms of the relationship agreements are set out in paragraphs 13.3 and 13.4 of Part XIV "Additional Information" of this document.

Risk Factors

Certain risk factors in relation to the Company and its business are brought to your attention in Part IV "Risk Factors" of this document.

Taxation

Information regarding the United Kingdom, Ukraine and Cypriot taxation of potential Shareholders is set out in Part XII "Taxation" of this document. No tax advice is being provided to Shareholders in this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 12 September 2013. No temporary documents of title will be issued. All documents sent by or to a Shareholder who elects to hold Ordinary Shares in certificated form, or at his or her direction, will be sent through the post at the Shareholder's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

Further Information

Your attention is drawn to the additional information set out in Part XIV "Additional Information" of this document.

PART VIII

Consolidated Financial Information on the Group

Part VIII of this document contains the following financial information:

- Section A – Accountant's Report from the Company's reporting accountant Baker Tilly Corporate Finance LLP on the historical financial information of the Group (as set out in section B)
- Section B – Consolidated Historical Financial Information of the Group for the three years ended 31 December 2012, 2011 and 2010
- Section C – Accountant's Report from the Company's reporting accountant Baker Tilly Corporate Finance LLP on the interim results of the Group (as set out in section D)
- Section D – Unaudited Interim Results of the Group for the six months ended 30 June 2013

Section A: Accountants' Report on the Consolidated Historical Financial Information of the Group

The following is the full text of a report on Arricano Real Estate Plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Arricano Real Estate Plc.

BAKER TILLY

25 Farringdon Street
London EC4A 4AB
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The Directors
Arricano Real Estate Plc
195 Makarious III Avenue
Neocleous House
3030, Limassol
Cyprus

6 September 2013

Dear Sirs,

Arricano Real Estate Plc (the "Company")

We report on the financial information set out Section B of Part VIII of this document. This historical financial information has been prepared for inclusion in the Admission Document dated 6 September 2013 ("Admission Document") of Arricano Real Estate Plc on the basis of the accounting policies set out in notes 2 and 3 of the historical financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the historical financial information on the basis of preparation set out in notes 2 and 3 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the historical financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the historical financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company and its subsidiaries (the "Group") as at the dates stated and of its profit and loss, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in notes 2 and 3 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB.

Section B: Consolidated Historical Financial Information of the Group
For the Years Ended 31 December 2010, 31 December 2011, 31 December 2012

Consolidated Statements of Comprehensive Income

	Notes	*For the year ended 31 December 2010 US$'000*	*For the year ended 31 December 2011 US$'000*	*For the year ended 31 December 2012 US$'000*
Revenue	17	14,466	16,356	16,421
Other gains		65	454	554
Gain on revaluation of investment property	7	54,491	12,943	26,893
Goods, raw materials and services used	18	(1,508)	(715)	(536)
Operating expenses	19	(5,905)	(7,487)	(17,885)
Staff costs		(2,217)	(2,354)	(2,708)
Depreciation and amortisation		(148)	(112)	(166)
(Loss)/Gain from operating activities		59,244	19,085	22,573
Loss on derecognition of subsidiary	4	–	(1,566)	–
Share of profit of associate	4	–	1,171	–
Finance income	20	2,846	2,615	6,316
Finance costs	20	(21,613)	(12,537)	(7,562)
Profit before income tax		40,477	8,768	21,327
Income tax benefit/(expense)	21	2,532	(780)	(1,504)
Profit for the year		43,009	7,988	19,823
Foreign currency translation differences		(2,172)	175	24
Total comprehensive income for the year		40,837	8,163	19,847
Profit attributable to:				
Equity holders of the parent		25,287	9,332	19,823
Non-controlling interest		17,722	(1,344)	–
Profit for the year		43,009	7,988	19,823
Total comprehensive income attributable to:				
Equity holders of the parent		23,269	9,507	19,847
Non-controlling interest		17,568	(1,344)	–
Total comprehensive income for the year		40,837	8,163	19,847

Consolidated Balance Sheets

	Notes	*As at 31 December 2010*	*As at 31 December 2011*	*As at 31 December 2012*
		US$'000	*US$'000*	*US$'000*
Assets				
Non-current assets				
Investment property	7	273,446	102,978	161,216
Investment in associate	4	–	20,727	–
Available-for-sale financial assets	4	–	–	20,727
Deferred tax asset	21	–	–	956
Long-term loans receivable	8	38,971	40,470	1,473
Long-term VAT recoverable	9	8,272	4,339	5,630
Other long-term receivables	10	–	2,728	–
Property and equipment		379	268	455
Intangible assets		25	12	91
Total non-current assets		321,093	171,522	190,548
Current assets				
Inventories		1,361	15	91
Trade and other receivables	10	4,000	2,363	3,637
Loans receivable	8	5,367	1,451	43,766
Prepaid expenses		1,054	436	651
VAT recoverable	9	5,186	2,312	3,825
Cash and cash equivalents	11	76,110	32,687	7,565
Total current assets		93,078	39,264	59,535
Total assets		414,171	210,786	250,083
Equity and Liabilities				
Equity				
Share capital	12	9	9	54
Share premium		89,994	89,994	159,981
Additional paid in capital		64,096	59,713	59,713
Retained earnings		18,157	27,489	47,312
Other reserves		(61,980)	(61,980)	(131,980)
Foreign currency translation reserves		(2,023)	(536)	(512)
Total equity attributable to equity holders of the parent		108,253	114,689	134,568
Non-controlling interest (Equity)		20,780	–	–
Total equity		129,033	114,689	134,568
Non-current liabilities				
Long-term borrowings	13	121,782	72,277	33,008
Other long-term payables		144	–	–
Advances from customers	16	4,613	4,273	3,534
Finance lease liability	14	8,839	3,582	3,252
Deferred tax liability	21	12,800	1,529	3,975
Total non-current liabilities		148,178	81,661	43,769

	Notes	*As at 31 December 2010*	*As at 31 December 2011*	*As at 31 December 2012*
		US$'000	*US$'000*	*US$'000*
Current liabilities				
Short-term borrowings	13	110,115	8,583	43,324
Trade and other payables	15	19,597	2,351	23,993
Tax payables		99	71	133
Advances from customers	16	7,147	3,429	4 294
Current portions of finance lease liability	14	2	2	2
Total current liabilities		136,960	14,436	71,746
Total liabilities		285,138	96,097	115,515
Total equity and liabilities		414,171	210,786	250,083

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent								
	Share capital US$'000	*Share premium US$'000*	*Add'l paid in capital US$'000*	*Retained earnings (accumulated losses) US$'000*	*Other reserves US$'000*	*Foreign currency translation differences US$'000*	*Total US$'000*	*Non-controlling interest US$'000*	*Total US$'000*
Balances at 1 January 2010	3	–	–	(7,130)	(91,251)	(5)	(98,383)	(4,573)	(102,956)
Total comprehensive income for the year									
Net profit	–	–	–	25,287	–	–	25,287	17,722	43,009
Total other comprehensive (loss)	–	–	–	–	–	(2,018)	(2,018)	(154)	(2,172)
Total comprehensive income for the year	–	–	–	25,287	–	(2,018)	23,269	17,568	40,837
Transactions with owners, recognised directly in equity									
Contribution by and distribution to owners									
Issue of shares	6	89,994	–	–	–	–	90,000	–	90,000
Contribution from shareholders	–	–	64,096	–	–	–	64,096	–	64,096
Total contribution by owners	6	89,994	64,096	–	–	–	154,096	–	154,096
Changes in ownership interests in subsidiaries									
Acquisition of subsidiaries under common control****	–	–	–	–	(964)	–	(964)	–	(964)
Disposal of subsidiaries under common control**	–	–	–	–	8,020	–	8,020	–	8,020
Disposal of non-controlling interest without a change in control*	–	–	–	–	22,215	–	22,215	7,785	30,000
Total changes in ownership interests in subsidiaries	–	–	–	–	29,271	–	29,271	7,785	37,056
Total transactions with owners	6	89,994	64,096	–	29,271	–	183,367	7,785	191,152
Balances at 31 December 2010	9	89,994	64,096	18,157	(61,980)	(2,023)	108,253	20,780	129,033
Total comprehensive income for the year									
Net profit	–	–	–	9,332	–	–	9,332	(1,344)	7,988
Total other comprehensive income	–	–	–	–	–	175	175	–	175
Total comprehensive income for the year	–	–	–	9,332	–	175	9,507	(1,344)	8,163
Transactions with owners, recognised directly in equity									
Contribution by and distribution to owners									
Distribution to shareholders***	–	–	(4,383)	–	–	–	(4,383)	–	(4,383)
Total contribution by and distribution to owners	–	–	(4,383)	–	–	–	(4,383)	–	(4,383)
Changes in ownership interests in subsidiaries									
Disposal of subsidiary*	–	–	–	–	–	1,312	1,312	(19,436)	(18,124)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	1,312	1,312	(19,436)	(18,124)
Total transactions with owners	–	–	(4,383)	–	–	1,312	(3,071)	(19,436)	(22,507)
Balances at 31 December 2011	9	89,994	59,713	27,489	(61,980)	(536)	114,689	–	114,689

	Attributable to equity holders of the parent								
	Share capital US$'000	*Share premium US$'000*	*Add'l paid in capital US$'000*	*Retained earnings (accumulated losses) US$'000*	*Other reserves US$'000*	*Foreign currency translation differences US$'000*	*Total US$'000*	*Non-controlling interest US$'000*	*Total US$'000*
Total comprehensive income for the year									
Net profit	–	–	–	19,823	–	–	19,823	–	19,823
Total other comprehensive income	–	–	–	–	–	24	24	–	24
Total comprehensive income for the year	–	–	–	19,823	–	24	19,847	–	19,847
Transactions with owners, recognised directly in equity									
Contribution by and distribution to owners									
Contribution from shareholders****	45	69,987	–	–	–	–	70,032	–	70,032
Shares to be forfeited	–	–	–	–	(70,000)	–	(70,000)	–	(70,000)
Total contribution by and distribution to owners	45	69,987	–	–	(70,000)	–	32	–	32
Total transactions with owners	45	69,987	–	–	(70,000)	–	32	–	32
Balances at 31 December 2012	54	159,981	59,713	47,312	(131,980)	(512)	134,568	–	134,568

* See note 4 (a)

** See note 4 (b) (i) and (ii)

*** See note 6

****See note 12

Consolidated Cash Flow Statements

	For the year ended 31 December 2010	*For the year ended 31 December 2011*	*For the year ended 31 December 2012*
Operating activities			
Profit before Tax	40,477	8,768	21,327
Adjustments:			
Financial income	(2,846)	(2,615)	(6,316)
Financial expenses	20,470	12,537	7,562
Loss/(Gain) on revaluation of investment property	(54,491)	(12,943)	(26,893)
Loss on investment property disposal	241	218	51
Depreciation and amortization	148	111	166
Write-off of prepayments	–	–	1,161
Provision for bad debts	164	5	6,149
Operating cash flows before changes in working capital	4,163	6,081	3,207
Working capital adjustments:			
Change in inventories	116	1,069	(76)
Change in trade and other receivables	(2,009)	(4,271)	(4,973)
Change in prepaid expenses	(106)	(2 388)	(1,376)
Change in VAT recoverable	(1,925)	(1,480)	(2,804)
Change in trade and other payables	(4,806)	7,500	1,614
Change in advances from customers	(127)	504	126
Income tax paid	(31)	(16)	(12)
Interests and other financial costs paid	(6,820)	(4,812)	(3,578)
Total cash flow from operating activities	(11,545)	2,187	(7,872)
Investing activities			
Acquisition of subsidiaries, net of cash acquired	10	–	–
Disposal of subsidiaries, net of cash out-flow	8	(2,152)	–
Acquisition of property, plant and equipment	(457)	(305)	(432)
Proceeds from IP disposal	41	264	214
Acquisition of investment property	(18,107)	(32,618)	(9,889)
Loans granted	(38,171)	(31,464)	(498)
Loans granted repaid	–	5,000	1,450
Interests received	51	311	–
Total cash from investing activities	(56,625)	(60,964)	(9,155)
Financing activities			
Proceeds from borrowings	25,791	31,840	50
Repayment of borrowings	(8,557)	(11,324)	(7,663)
Distribution to shareholders	–	(4,383)	–
Proceeds from issue of share capital	90,000	–	32
Proceeds from sale of non-controlling interest	35,000	–	
Finance lease	–	(300)	(514)
Total cash from financing activities	142,234	15,833	(8,095)
Net cash flow	74,064	(42,944)	(25,122)
Cash at the beginning of period	1,691	76,110	32,687
Effects of exchange rate differences	355	(479)	–
Change in cash	74,419	(43,423)	(25,122)
Cash at the end of period	76,110	32,687	7,565

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

1. Background

(a) ***Organisation and operations***

Arricano Real Estate Plc (the "Company") is a private limited liability company that was incorporated in Cyprus. The Company's registered office address is 195 Makarios III Avenue, Neocleous House, 3608 Limassol, Cyprus. The Group's 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.

The Directors have prepared detailed financial forecasts and cashflows looking beyond the 12 months from the date of admission, On the basis of these projections, the Directors continue to adopt the going concern basis in preparing the Historical Financial Information.

(b) ***Business environment***

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. In addition, the historical contraction in the capital and credit markets and its impact on the economy of Ukraine have further increased the level of economic uncertainty in the environment.

This historical financial information reflects the Directors' current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from the Directors' assessment.

2. Basis of preparation

The consolidated historical financial information comprises the financial position and results of the Company, its subsidiaries and associated entities (together referred to as the "Group").

(a) ***Statement of compliance***

This consolidated historical financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

(b) ***Basis of measurement***

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

Available for sale financial assets have been measured at cost less impairment (note 4).

(c) ***Functional and presentation currency***

The functional currency of the Company is the US dollar ("USD"). The majority of Group entities are located in Ukraine and have the Ukrainian Hryvnia ("UAH") as their functional currency.

For presentational purposes the historical financial information is presented in USD, rounded to the nearest thousand.

In translating the historical financial information 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 applied:

- Historical rates: for the equity accounts except for net profit or loss for the year;
- Year-end rate: for all assets and liabilities; and

- Rates at the dates of the transactions: for the statement of comprehensive income (but see below).

The relevant exchange rates, provided by the National Bank of Ukraine, used in translating the consolidated historical financial information of the Group into USD were:

Year-end 2012 exchange rate: USD 1 = UAH 7.9930 (2011 – 7.9898; 2010 – 7.9617)

Average 2012 exchange rate: USD 1 = UAH 7.9911 (2011 – 7.9676; 2010 – 7.9356)

As there were no significant fluctuations of the USD/Hryvnia exchange rate during the years ended 31 December 2010, 31 December 2011 or 31 December 2012, for practical reasons the average exchange rate for these years have been applied in the translation of the statement of comprehensive income for each of these years.

(d) ***Use of judgments, estimates and assumptions***

The preparation of the consolidated historical financial information in conformity with IFRS as adopted by the EU requires the Directors 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 recognized in the year 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 recognized in the historical financial information are included in the following notes:

- note 4 – loss of control over Assofit Holdings Limited;
- note 6 – determination of special purpose entities;
- note 7 – valuation of investment property;
- note 21 – utilisation of tax losses; and
- note 4 – valuation of available-for-sale financial assets.

3. Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in this historical financial information, and are applied consistently by Group entities.

(a) ***Basis of consolidation***

(i) *Business combinations*

Business combinations, except in relation to entities under common control, are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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 acquire; 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 the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) *Accounting for acquisitions of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial results of subsidiaries are included in the historical financial information from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

The results of subsidiaries acquired during the year are included in the statement of comprehensive income from the effective date of acquisition and until the date that control ceases. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

Any premium or discount arising on the acquisition of a non-controlling interest in a subsidiary represents the excess/deficiency of the cost of the additional investment over/under the carrying amount of the net assets acquired at the date of exchange. The effect of these transactions is recognized directly in equity.

Consolidated entities include the following:

Name	*Country of incorporation*		*Cost*			*% of ownership*	
		2012	*2011*	*2010*	*2012*	*2011*	*2010*
	US$'000	*US$'000*	*US$'000*	*US$'000*			
Praxifin Holdings Limited	Cyprus	3	3	3	100.00%	100.00%	100.00%
U.A. Terra Property Management Limited	Cyprus	3	3	3	100.00%	100.00%	100.00%
Museo Holdings Limited	Cyprus	3	3	3	100.00%	100.00%	100.00%
Sunloop Co Limited	Cyprus	3	3	3	100.00%	100.00%	100.00%
Pramolin Co Limited(5)	Cyprus	–	–	–	–	–	–
Assofit Holdings Limited(1)	Cyprus	–	10,003	10,003	49.97%	49.97%	49.97%
Lacecap Limited(4)	Isle of Man	3	–	–	100.00%	100.00%	–
Beta Property Management Limited(4)	Cyprus	3	3	–	100.00%	100.00%	–
Prizma Beta LLC(1)	Ukraine	–	–	–	49.97%	49.97%	49.97%
Dniprovska Prystan PrJSC(1)	Ukraine	–	–	–	49.97%	49.97%	49.97%
Sator Invest LLC(1)	Ukraine	–	–	–	49.97%	49.97%	49.97%
Voyazh Krym LLC(2)	Ukraine	–	–	–	–	–	–
Livoberezhzhiainvest PrJSC	Ukraine	69	69	69	100.00%	100.00%	100.00%
Grandinvest PrJSC	Ukraine	69	69	69	100.00%	100.00%	99.90%
Arricano Property Management (previous name – Zakhidni Investytsii LLC)	Ukraine	5	5	5	100.00%	100.00%	100.00%
UkrPanGroup PrJSC	Ukraine	59	59	59	99.90%	99.90%	99.90%
Prizma Alfa LLC	Ukraine	4	4	4	100.00%	100.00%	99.00%
Arricano Development LLC (previous name – Astra Property LLC)(6)	Ukraine	9	9	5	100.00%	100.00%	100.00%
Prizma Development LLC(6)	Ukraine	4	4	4	100.00%	100.00%	100.00%
Arricano Real Estate LLC(3)	Ukraine	–	–	–	100.00%	100.00%	–
Komfort Market Lux LLC(5)	Ukraine	–	–	–	–	–	–

Notes:

(1) in 2009 and 2010 Assofit Holdings Limited and its subsidiaries (Prizma Beta LLC, Dniprovska Prystan PrJSC and Sator Invest LLC) were consolidated, because the Group considered that it had control over the entity; in 2011 the Group lost control over the entity (see note 4). Since as at 31 December 2011 the Group retained significant influence over Assofit Holdings Limited, it is accounted for as an associate as at that reporting date. Further, in 2012 the Group lost significant influence over the entity (see note 4) and thus it was accounted for as available-for-sale financial asset since the date of loss of significant influence.

(2) special purpose entity (see note 6).

(3) newly established subsidiary in 2011.

(4) companies consolidated as special purpose entities as at 31 December 2010 became legal subsidiaries in 2011.

(5) disposal of subsidiaries in 2010 (note 4).

(6) companies consolidated in 2010.

All entities included in the historical financial information of the Group are involved in property development and leasing.

(iv) *Special purpose entities*

During the year ended 31 December 2010 the Group established a number of special purpose entities ("SPE"s) for financing and investment purposes. At this time the Group did not have any direct or indirect shareholdings in these entities. An SPE was consolidated, however, if based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards it was concluded that the Group controlled the SPE. Such SPEs controlled by the Group were established under terms that imposed strict limitations on the decision-making powers of the SPEs' management that resulted in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks related to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

(v) *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 predecessor accounting. The acquired entities results are incorporated from the date on which the transaction occurred. Any result from the acquisition is recognised directly in equity (within Other Reserves).

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 predecessor accounting. Any result from the disposal is recognised directly in equity (within Other Reserves).

(vi) *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 an available-for-sale financial asset depending on the level of influence retained.

(vii) *Investments in associates (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 per cent. and 50 per cent. of the voting power of another entity unless it can be clearly demonstrated that despite the percentage of shareholding this is not the case.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

(a) representation on the board of directors or equivalent governing body of the investee;

(b) participation in policy-making processes, including participation in decisions about dividends or other distributions;

(c) material transactions between the investor and the investee;

(d) interchange of managerial personnel; or

(e) provision of essential technical information.

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

The historical financial information includes 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 commences until the date that significant influence 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 to or has made payments on behalf of the investee.

(viii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing this historical financial information. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized 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. 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. Foreign currency differences arising on retranslation are recognized in profit or loss.

(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 translation 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 translation reserve in equity.

(c) ***Financial instruments***

(i) *Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they originate. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables
Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise the following classes of assets: trade and other receivables as presented in note 10, loans receivable as presented in note 8, other long-term receivables as presented in note 10 and cash and cash equivalents as presented in note 11.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 1(a)(i)) and foreign currency differences on available-for-sale debt instruments (see note 1(a)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot be reliably measured are carried at cost.

Available-for-sale financial assets comprise equity securities.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, finance lease liabilities and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) *Derivative financial instruments*

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

(d) ***Capital and reserves***

Share Capital

Proceeds from the issue of ordinary shares are classified as equity. Incremental costs directly attributable to the 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.

Additional paid-in capital

Additional paid-in capital reserve includes contributions made by the shareholders directly in the reserves. The shareholders do not have any rights on 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

The other reserves comprise the effect of acquisition and disposal of subsidiaries under common control and change in non-controlling interest in these subsidiaries.

Foreign currency translation differences

The foreign currency translation differences comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

(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.

Leasehold of land under operating lease is classified and accounted for as an investment property when the definition of investment property is met. Under investment property accounting, the right to use the land is measured at fair value and the obligation to pay rentals is accounted for as a finance lease.

(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 capitalized 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 an investment property. If the portions cannot be sold or leased out separately, the property is an 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 an 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 and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment properties are derecognized 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 recognized as gain or loss in profit or loss.

It is the Group's policy that an external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being appraised, values the portfolio as at each reporting date. The fair value is the amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The valuation is prepared in accordance with International Valuation Standards published by the International Valuations Standards Committee.

(iii) *Property under development (construction)*

Property that is being constructed or developed for future use as an investment property is accounted for as property under development (construction) and is stated at cost until construction or development is complete. During the construction phase only the building is accounted as property under development construction. The land is classified as an investment property throughout the construction phase and accounted for at fair value. Upon completing of construction and bringing the building into a condition in which it is ready for operation and when it is put into operation, the item is reclassified and subsequently accounted for as an investment property.

(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 capitalized 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 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 recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized 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 recognized 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 recognized in profit or loss as incurred.

(iv) *Depreciation*

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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. 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) *Goodwill*

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) *Other intangible assets*

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

(iii) *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.

(iv) *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:

- patents and trademarks 5 years
- software 3–5 years

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

(h) ***Leased assets***

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the statement of financial position.

(i) ***Inventories***

Inventories are measured at the lower of cost and net realizable 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.

(j) ***Impairment***

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables
The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets
Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) *Non-financial assets*

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets 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 at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 amortization, 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) ***Rental income from investment property***

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

(m) ***Lease payments***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(n) ***Finance income and costs***

Finance income comprises interest income on funds invested, dividend income, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, foreign exchange loss and the unwinding of the discount on provisions.

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.

Foreign currency gains and losses arising on loans receivable and borrowings are reported on a net basis as either finance income or finance cost. Foreign currency gains and losses arising on accounts receivable and payable are recognised in other profit or loss.

(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.

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 that may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement 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.

In accordance with the tax legislation of Ukraine, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits that relate to different activities cannot be offset.

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. 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.

(p) ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing this historical financial information. Of these pronouncements, potentially the following will have an impact on the Group's operations. Management plans to adopt these pronouncements when they become effective, and has not yet analyzed the likely impact of these new standards on the historical financial information.

IAS 28 (2011) *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after 1 January 2013 with retrospective application required. Early adoption of IAS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011). Amendments to IFRS 7 *Financial Instruments: Disclosures* – Offsetting Financial Assets and Financial Liabilities contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.

IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace IAS 39

Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated historical financial information. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC 12 *Consolidation – Special Purpose Entities*. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 11 *Joint Arrangements* will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 *Interests in Joint Ventures*. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results in a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

Amendments to IAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity 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 entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4. Disposal of subsidiaries and associates

(a) *Disposal of subsidiary*

Disposal of non-controlling interest in 2010

In February 2010 the Group decreased its stake in Assofit Holdings Limited from 80 per cent. to 50 per cent. minus one share (49.97 per cent.) as follows. The Group sold 401 ordinary shares in the share capital of Assofit Holdings Limited, representing 20 per cent. plus one share, to Stockman Interhold S.A. for USD 10,000 thousand in cash. At the same time the share capital of Assofit Holdings Limited was increased by 1,200 ordinary shares. 400 of newly issued ordinary shares were allotted to Arricano Real Estate Plc for a consideration of USD 10,000 thousand, and 800 of newly issued ordinary shares were allotted to Stockman Interhold S.A. for a consideration of USD 20,000 thousand. Arricano Real Estate Plc paid the consideration of USD 10,000 thousand through an assignment of all rights on a loan receivable of the same amount due from a related party.

The carrying amount of Assofit Holdings Limited's negative net assets in the Group's consolidated historical financial information on the date of the share disposal and before the share capital increase was USD 24,058 thousand. As a result of the additional shares issued the net assets of Assofit Holdings Limited increased to a positive amount of USD 5,942 thousand. The Group recognised an increase in non-controlling interest of USD 7,785 thousand and an increase in other reserves of USD 22,215 thousand.

According to the shareholders agreement between Arricano Real Estate Plc and Stockman Interhold S.A. the parties agreed to assign all rights and obligations under loan agreements with subsidiaries controlled by Assofit Holdings Limited from Filgate Credit Enterprises Limited to a company owned in the same proportion as their ownership in Assofit Holdings Limited. However, this assignment was not executed as at 31 December 2010 or 31 December 2011.

In order to achieve this Filgate Credit Enterprises Limited (the Group's related party) was to assign all rights under loan agreements with the Ukrainian subsidiary controlled by Assofit Holdings Limited (Prizma Beta LLC), to a company owned in the same proportions as Assofit by the shareholders of Assofit (the Group's SPE 1). Furthermore, Baltic Energy Trading (the Group's related party) was to also assign all rights under loan agreements for amounts due from Filgate Credit Enterprises Limited to another company owned in the same proportions as Assofit by the shareholders of Assofit (the Group's SPE 2), and Filgate Credit Enterprises Limited would transfer all liabilities and obligations under these loan agreements between Baltic Energy Trading and Filgate Credit Enterprises Limited to the Group's SPE 1. However, these two entities were not established and, consequently, the loans were not assigned as at 31 December 2010 or 31 December 2011.

Arbitration proceedings regarding the termination of the Call Option Agreement:

On 9 November 2010 Stockman Interhold S.A. initiated arbitration proceedings against the Company in relation to the validity of the termination of the call option agreement between the parties in relation to the shares of Assofit Holdings Limited ("Assofit") and the case was placed under consideration by The London Court of International Arbitration (LCIA). In addition Stockman Interhold S.A. filed an ex-part application to the competent Cyprus Court which issued an interim order preventing the Company from exercising the afore-mentioned call option.

Arbitration proceedings regarding the termination of the Shareholders Agreement:

On 21 December 2010 the Company initiated arbitration proceedings against Stockman Interhold S.A. in relation to the validity of the termination of the shareholders agreement between the parties. The case was under consideration by The United Nations Commission on International Trade Law (UNCITRAL). In addition the Company filed an ex-parte application to the Cyprus Court which issued an interim order preventing Stockman Interhold S.A. and Assofit from altering in any way Assofit's shareholder structure or participation in Assofit's Board of Directors.

Due to these arbitration proceedings between the Group and Stockman Interhold S.A. as well as the Cyprus Court Interim Orders, the call option was not exercised as at 31 December 2010.

At this time the Directors believed that it was likely that the Company would win the above mentioned arbitration cases. Therefore, it considered that the call option was deemed to be exercisable as at 31 December 2010 and was, hence, taken into account in assessing whether it had control over Assofit Trading Limited in accordance with IAS 27 *Consolidated and Separate Financial Statements*. Assofit Holdings Limited was consolidated.

Loss of control in 2011

On 9 June 2011 the tribunal examining the validity of Stockman Interhold S.A.'s termination of the shareholders agreement issued a final award according to which Stockman Interhold S.A. validly terminated the said agreement.

The Group is no longer able to execute its call option and there are no other factors which would indicate that the Group retains control over Assofit Holdings Limited. Thus, as at 9 June 2011, the Group effectively lost control over Assofit Holdings Limited. Correspondingly, this subsidiary has been deconsolidated at the date of loss of control and is subsequently accounted for as the Group's associate.

The loss of control over the subsidiary had the following effect on assets and liabilities on the date of loss of control:

	Estimated carrying values on the date of loss of control over subsidiary US$'000
Non-current assets	
Investment property	218,660
Long-term loans receivable	25,713
Long-term VAT recoverable	4,415
Property and equipment	320
Intangible assets	18

	Estimated carrying values on the date of loss of control over subsidiary *US$'000*
Current assets	
Inventories	277
Trade and other receivables	5,903
Loans receivable	5,381
Prepaid expenses	278
VAT recoverable	3,872
Cash and cash equivalents	2,152
Non-current liabilities	
Long-term borrowings	75,400
Other long-term payables	4,245
Advances from customers	7,263
Finance lease liability	8,644
Deferred tax liabilities	12,007
Current liabilities	
Short-term borrowings	102,166
Trade and other payables	13,361
Tax payables	95
Advances from customers	4,564
Net identifiable assets and liabilities	39,244
Disposed Group's share in the net identifiable assets and liabilities, net of non-controlling interest	(19,810)
Investment in associate recognised	19,556
Foreign currency translation differences	(1,312)
Loss on disposal of subsidiary	(1,566)
Consideration received	–
Cash disposed	(2,152)
Net cash outflow	(2,152)

The Group's share of consolidated profit in its associate for the period from 9 June 2011 to 31 December 2011 was USD 1,171 thousand.

(b) ***Loss of significant influence in 2012***

On 12 March 2012 Arricano filed the application no. 26/2012 to the District Court of Larnaca to wind up its associate, Assofit Holdings Limited, on grounds of oppression of minority. Within the frame of this application, on 30 March 2012 Arricano has successfully applied for the appointment of a provisional Receiver at the level of Assofit Holdings Limited in order to protect its assets until consideration of the winding up application is completed. The application remains ongoing as at the date these consolidated financial statements are authorised for issuance.

On 20 March 2012, the Annual General Meeting of Shareholders of Assofit Holdings Limited resolved not to re-appoint Arricano representatives as the members of the Board of Directors of Assofit Holdings Limited. No change in the composition of the Board of Directors of Assofit Holdings Limited took place up to the date these consolidated financial statements are authorised for issuance.

As a result of the above events, the Group is no longer able to participate in the financial and operating policy decisions of Assofit and there are no other factors which would indicate that the Group retains significant influence. Thus, as at 20 March 2012, the Group has lost significant influence over Assofit

Holdings Limited and the investment in this entity was subsequently accounted for as the available-for-sale financial asset. Management believes that the fair value of this available-for-sale financial asset as at 20 March 2012 approximates the carrying amount of investment in Assofit as at 31 December 2011, which was recognized as an investment in associate as at that date.

Assofit Holdings Limited is not a publicly listed entity and consequently does not have published price quotations of its shares. Also, management believes that without ability to exert any influence on operating activity of this entity, the range and variability of fair value estimates for investment in Assofit is significant. Thus, management believes that, subsequent to the date of initial recognition, the fair value of equity investment in Assofit cannot be measured reliably, therefore this equity investment is subsequently measured as cost less impairment.

Further, management assessed impairment indicators for investment in Assofit as at 31 December 2012. As a result of this analysis, management concluded that as at the reporting date there are no indicators of impairment of investment in Assofit based on the following:

- Historically, Assofit generated strong positive cash flows and the major underlying asset of Assofit is the Skymall shopping centre that as at 31 December 2011 was measured at fair value, as determined by the independent qualified appraiser using income approach. There were no decreases in rental rates for similar properties during the year ended 31 December 2012 which could materially decrease the fair value of the shopping centre. Also, many of the tenants have long-term contracts where only upward revision of rental rates is possible;

- There is a Provisional Receiver appointed by the Court in Assofit to protect the rights of Arricano as a minority shareholder. Therefore, major strategic decisions are controlled by this Officer of the Court, including potential transfer of significant assets from the entity;

- As at 31 December 2012 significant portion of liabilities of Assofit are represented by loans payable to Filgate Credit Enterprises Limited, an entity under common control. As part of the shareholders' agreement between Arricano and two of the Group's shareholders, Dragon – Ukrainian Properties & Development plc and Retail Real Estate SA, these loans together with accrued interest are to be assigned from Filgate Credit Enterprises Limited to a company owned by Assofit Shareholders in the same proportion as Assofit for a nominal price of EUR 1 each. Further, as an outcome of arbitration proceedings regarding the termination of the Shareholders Agreement between Arricano and Stockman Interhold S.A., The United Nations Commission on International Trade Law Tribunal issued a final award according to which Arricano was ordered to take all steps required for these loans to be transferred to the newly established subsidiary. This transfer will significantly increase net assets of Arricano at the date of occurrence.

Disposal of subsidiaries in transactions under common control

(a) *Pramolin Co Limited*

In July 2010 the Group sold Pramolin Co Limited for USD 3 thousand to an entity under common control. Neither a gain nor loss is recognized as a result of this transaction.

The disposal of the subsidiary had the following effect on assets and liabilities on the date of disposal:

	Recognised book values on the date of disposal of subsidiary US$'000
Non-current assets	
Investments in subsidiaries	5
Current assets	
Trade and other receivables	3

	Recognised book values on the date of disposal of subsidiary US$'000
Non-current liabilities	
Loan and borrowings	(5)
Net identifiable assets and liabilities	3
Groups share in the net identifiable assets and liabilities	3
Selling price	3
Excess of consideration received over assets and liabilities disposed of	–
Consideration received	3
Cash disposed	–
Net cash inflow	3

(b) *Komfort Market Lux LLC*

In January 2010 the Group sold 100 per cent. of its stake in Komfort Market Lux LLC for USD 5 thousand to an entity under common control.

The disposal of the subsidiary had the following effect on assets and liabilities on the date of disposal:

	Recognised book values on the date of disposal of subsidiary US$'000
Non-current assets	
Investment properties	8,918
Current assets	
Trade and other receivables	9
Inventory	1
Non-current liabilities	
Deferred tax liabilities	(2,216)
Loan and borrowings	(10,300)
Current liabilities	
Loan and borrowings	(3,901)
Tax payables	(496)
Trade and other payables	(30)
Net identifiable assets and liabilities	(8,015)
Groups share in the net identifiable assets and liabilities	(8,015)
Selling price	5
Excess of consideration received over assets and liabilities disposed of	8,020
Consideration received	5
Cash disposed	–
Net cash inflow	5

Taking into account that Komfort Market Lux LLC was sold to a company that is under control of Retail Real Estate S.A (the Group's controlling shareholder), the excess of consideration received over assets and liabilities of the disposed subsidiary was recognised directly in equity.

5. Acquisition of subsidiaries in transactions under common control

(a) ***Astra Property LLC***

In February 2010 the Group acquired 100 per cent. in Astra Property LLC (subsequently renamed Arricano Development LLC) for USD 3 thousand in a transaction between parties under common control.

The net assets of the acquired subsidiary were as follows at the date of acquisition:

	Recognised book values on the date of acquisition of subsidiary US$'000
Current assets	
Trade and other receivables	3
Current liabilities	
Trade and other payables	(9)
Net identifiable assets and liabilities	(6)

	Recognised book values on the date of acquisition of subsidiary US$'000
Groups share in the net identifiable assets and liabilities	(6)
Purchase price	3
Excess of purchase price over assets and liabilities acquired	(9)
Consideration paid	(3)
Cash acquired	–
Net cash outflow	(3)

(b) ***Prizma Development LLC***

In February 2010 the Group acquired 100 per cent. in Prizma Development LLC for USD 4 thousand in a transaction between parties under common control.

The net assets of the acquired subsidiary were as follows at the date of acquisition:

	Recognised book values on the date of acquisition of subsidiary US$'000
Non-current assets	
Property, plant and equipment	116
Intangible assets	8
Current assets	
Trade and other receivables	182
Inventory	1
Tax prepayment	14
Cash and cash equivalents	17
Non-current liabilities	
Loan and borrowings	(1,007)
Deferred tax liabilities	(26)

	Recognised book values on the date of acquisition of subsidiary US$'000
Current liabilities	
Tax payables	(8)
Trade and other payables	(248)
Net identifiable assets and liabilities	(951)
Groups share in the net identifiable assets and liabilities	(951)
Purchase price	4
Excess of purchase price over assets and liabilities acquired	(955)
Consideration paid	(4)
Cash acquired	17
Net cash inflow	13

Since Astra Property LLC and Prizma Development LLC were acquired from Retail Real Estate S.A. (the Group's majority shareholder), the transactions are treated as transactions between entities under common control, and the excess of purchase price over assets and liabilities acquired is recognised directly in equity.

6. Special purpose entities

LLC Voyazh-Krym

In 2012, 2011 and 2010, the Group consolidated Voyazh-Krym LLC as a special purpose entity. This company was established for the purpose of holding land plots (either under lease agreements, or freehold) for one of the Group's retail centres, Inter Mall. As a result it operated to benefit the Group in its business needs. Despite the fact that Arricano Real Estate Plc itself has no voting rights in the entity and does not participate in dividends or changes in the fair value of the entity, the interests of the entity's shareholders at the time (Retail Real Expert S.A., Dragon – Ukrainian Properties and Development plc, ELQ Investors II Limited, Weather Empire and Sigma Real Estate Limited) do not differ from those of the Company.

Lacecap Limited and Beta Property Management Limited

In 2010 and 2011 the Group consolidated Lacecap Limited and Beta Property Management Limited as special purpose entities. These companies had been specifically established by the Group's parent entity for financing and investment purposes of the Group in accordance with the Shareholders' agreement between Retail Real Estate S.A. (formerly named Expert Capital S.A.) and Dragon – Ukrainian Properties and Development plc.

For this purpose all rights under loan agreements with the Ukrainian subsidiaries of Arricano Real Estate Plc were assigned from Filgate Credit Enterprises Limited (Group's related party that provided the loans to Ukrainian subsidiaries before assignment) to Beta Property Management Limited. At the same time Baltic Energy Trading (the Group's related party that provided financing to Filgate Credit Enterprises Limited for providing loans to the Ukrainian subsidiaries) assigned all rights under the loan agreement with Filgate Credit Enterprises Limited to Lacecap Limited, and Filgate Credit Enterprises Limited transferred all liabilities and obligations under loan agreements with Baltic Energy Trading to Beta Property Management Limited.

In 2010, loans and borrowings, including accrued interest of USD 74,096 thousand were assigned to Beta Property Management Limited for a consideration of USD 10,000 thousand. Based on this transaction between entities under common control, an amount of USD 64,096 thousand was recognised in equity as a capital contribution from shareholders.

As mentioned above, Lacecap Limited's and Beta Property Management Limited's only purpose of existence is provision of financing to the Ukrainian subsidiaries of the Company. As a result they operate to benefit

Arricano in its business needs. The shareholders of both Lacecap Limited and Beta Property Management Limited have also clarified that Arricano will not be required to pay either principal or interest relating to the loans. Despite the fact that the Company itself had no voting rights in these entities and did not participate in dividends or changes in the fair value of these entities, the interest of shareholders (Retail Real Expert S.A and Dragon – Ukrainian Properties and Development plc) do not differ from the interest of Arricano.

In 2011 these companies became the Group's legal subsidiaries.

Further, on 27 June 2011, a loan assignment agreement between Filgate Credit Enterprises Ltd, Beta Property Management Ltd (the Group's subsidiary) and Barleypark Ltd (the Group's related party) was concluded. As a result, Filgate Credit Enterprises Limited transferred all liabilities and obligations under loan agreements with Barleypark Ltd to Beta Property Management Limited.

As a result, loans and borrowings, including accrued interest of USD 4,383 thousand, were assigned to Beta Property Management Limited for a consideration of USD 1. Based on this transaction between entities under common control, an amount of USD 4,383 thousand was recognised in equity as a distribution to shareholders. On 11 July 2011, Beta Property Management Limited fully settled the liability of USD 4,383 thousand to Barleypark Ltd.

7. Investment property

	Land *US$'000*	*Building titles, lease* *US$'000*	*Buildings (Investment Property)* *US$'000*	*Prepayments for investment property* *US$'000*	*Investment property under development (construction)* *US$'000*	*Total* *US$'000*
At 1 January 2010	7,993	69,711	66,298	614	64,210	208,826
Additions	–	639	–	747	19,217	20,603
Transfer	–	3	65,864	(158)	(65,709)	–
Disposals	–	–	(282)	–	–	(282)
Disposal of subsidiaries***	–	(8,863)	–	–	(55)	(8,918)
Fair value gains (losses) on revaluation	(492)	(24,116)	79,099	–	–	54,491
Effect of movement in exchange rates	(39)	(173)	(904)	(4)	(154)	(1,274)
At 31 December 2010	7,462	37,201	210,075	1,199	17,509	273,446
Additions	560	3,687	–	21,496	10,562	36,305
Transfer****	644	(644)	11,352	(113)	(11,239)	–
Disposals	–	–	(350)	–	(132)	(482)
Disposal of subsidiaries*	–	(36,607)	(163,576)	(3,019)	(15,458)	(218,660)
Fair value gains (losses) on revaluation	1,469	4,111	7,363	–	–	12,943
Effect of movement in exchange rates	(35)	(64)	(397)	(57)	(21)	(574)
At 31 December 2011	10,100	7,684	64,467	19,506	1,221	102,978
Additions	22	1,686	9,985	6,564	13,408	31,665
Transfers**	–	–	35,245	(26,067)	(9,178)	–
Disposals	(118)	–	(147)	–	–	(265)
Fair value gains (losses) on revaluation	500	(298)	26 691	–	–	26,893
Effect of movement in exchange rates	(4)	(3)	(43)	(3)	(2)	(55)
At 31 December 2012	10,500	9,069	136,198	–	5,449	161,216

Notes:

* During the year ended 31 December 2011 the Group lost control over Assofit Holdings Limited and its subsidiaries (see note 4).

** In August 2012, the trade centre "RAYON" with a total gross leasable area of over 24,000 square meters started its operations in Kyiv and associated ownership rights were obtained by the Group.

*** During the year ended 31 December 2010 the Group sold its subsidiaries Komfort Market Lux LLC and Pramolin Limited.

****In 2011 the Group purchased a land plot that is part of the Inter Mall project, which previously was under lease.

Property under construction is stated at cost until construction or development is complete as described in note 3(d)(iii). Management cannot determine the fair value of property under construction reliably, because at the construction stage the fair value estimate of such property involves significant management judgment that may significantly differ from actual circumstances.

As at 31 December 2012, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 84,500 thousand (31 December 2011 – USD 81,500 thousand; 31 December 2010 – USD 216,260 thousand) (see note 23a).

Management engaged registered independent appraiser Expandia LLC (formerly CB Richard Ellis LLC), having a recognized professional qualification and recent experience in the location and categories of the projects being valued, to assist with the estimation of fair value of the Group's investment property.

Sensitivity

If rental rates are 1 per cent. less than those used in valuation models, the fair value of investment properties would be USD 1,457 thousand (2011: USD 735 thousand) lower. If rental rates are 1 per cent. higher, then the fair value of investment properties would be USD 1,457 thousand (2011: USD 735 thousand) higher.

If the discount rate applied is 1 per cent. higher than that used in the valuation models, the fair value of investment properties would be USD 9,590 thousand (2011: USD 4,803 thousand) lower. If the discount rate is 1 per cent. less, then the fair value of investment properties would be USD 11,046 thousand (2010: USD 5,525 thousand) higher.

8. Loans receivable

Loans receivable as at 31 December are as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Non-current assets			
Long-term loans receivable due from related parties	38,188	38,390	1,340
Accrued interest receivable due from related parties	783	2,080	133
	38,971	40,470	1,473
Current assets			
Short-term loans receivable due from related parties	5,267	1,451	37,603
Accrued interest receivable due from related parties	100	–	6,163
	5,367	1,451	43,766

As at 31 December 2012, the long-term loan receivable due from related party amounting to USD 1,473 thousand, including accrued interest of USD 133 thousand, has maturity date on 31 December 2018, is unsecured and bears a 3.2 per cent. interest rate that is fully capitalised and repaid together with the principal. As at 31 December 2011 this loan due from a related party amounted to USD 1,403 thousand, including accrued interest of USD 63 thousand.

In July 2011 the Company granted a loan to Weather Empire with the purpose of buying 1,077 shares in the Company's share capital from Retail Real Estate S.A. (the Group's parent company). As at 31 December 2012, the resulting loan receivable of USD 35,466 thousand, including short-term accrued interest of USD 5,466 thousand, is short-term with a maturity date of 31 December 2013, is unsecured and bears a 11.85 per cent. fixed interest rate that is fully capitalised and repaid together with the principal. As at 31 December 2011, the abovementioned loan amounted to USD 31,519 thousand, including accrued interest of USD 1,519 thousand, and was presented as long-term. In accordance with the call option agreement dated 14 July 2011 (see note 12) the amount shall be offset against the amount due to ELQ Investors II Limited on the date of option execution in case ELQ Investors II Limited is lender as at this date.

The mentioned call option agreement also states that in case that the conversion rights is not exercised by ELQ Investors II Limited, the shares of Weather Empire may be transferred to either the Company or, in case it is not permitted by applicable law, to the Company's shareholders being Retail Real Estate S.A., Dragon-Ukrainian Properties & Development Plc and Sigma Real Estate Limited. In accordance with the provisions of Cyprus Companies Law it is prohibited for a public company to purchase its own shares in excess of 10 per cent. of the subscribed share capital. As at 31 December 2012, Weather Empire holds 16.67 per cent. of the subscribed share capital of Arricano (see note 12) and therefore management believes that in case the conversion right is not exercised, the shares of Weather Empire will be transferred to the Company's shareholders. Subsequent to this transfer, settlement of the loan depends on intention and ability of the Company's shareholders to repay this loan. Management on the basis of representation received believes that the Company's shareholders will ensure repayment of the loan, therefore the loan is considered recoverable.

Included in short-term loans receivable as at 31 December 2012 is also a loan due from PrJSC Dniprovska Prystan, a subsidiary of Assofit Holdings Limited, amounting to USD 498 thousand with a maturity date of 15 August 2012. In 2012 the Group initiated bankruptcy proceedings against the mentioned related party and as at 31 December 2012, Dniprovska Prystan was declared insolvent by the court. The management of the Group believes that it will be able to recover the funds invested, accordingly the loan is not considered to be impaired as at 31 December 2012 (refer to note 22(c)).

As at 31 December 2012, remaining short-term loans receivable due from related parties amounting to USD 7,802 thousand, including accrued interest of USD 697 thousand, have maturity date on 31 December 2013, are unsecured and bear a 3.2 per cent. interest rate. As at 31 December 2011, these loans amounted to USD 7,548 thousand, including interest receivable of USD 499 thousand, and were presented as long-term.

The principal of a long-term loan receivable granted to a related party in 2009 amounting to USD 5,000 thousand with a maturity date on 31 December 2013 was fully settled in 2011. Accrued interest on this loan receivable of USD 168 thousand was not settled as at 31 December 2012.

As at 31 December 2011, short-term loans receivable granted to related parties of USD 1,397 thousand (2010: USD 767 thousand) are due within one year, are unsecured and are interest free. As at 31 December 2010, short-term loans to related parties of USD 4,500 thousand had their maturity date on 31 October 2010, were unsecured and bear a 3.2 per cent. interest rate.

9. VAT recoverable

Management presents VAT recoverable within non-current and current assets based on the expected timing of recovery.

Management expects that long-term VAT recoverable will be recovered in full by 2015.

10. Trade and other receivables

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

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Non-current			
Other receivables from related parties	–	2,728	–
	–	2,728	–
Current			
Trade receivables from related parties	14,072	10,654	10,617
Other receivables from related parties	360	1,510	8,899
Allowance for impairment	(13,962)	(10,615)	(16,689)
	470	1,549	2,827

	2010 US$'000	2011 US$'000	2012 US$'000
Trade receivables from third parties	3,270	884	861
Other receivables from third parties	385	–	–
Allowance for impairment	(125)	(70)	(51)
	3,530	814	810
	4,000	2,363	3,637
	4,000	5,091	3,637

Trade receivables are mainly comprised of accounts receivable from related party OKey Ukraine. The Group ceased working with OKey Ukraine in August 2009. As the result of financial difficulties faced by this tenant, a provision for impairment has been recognised.

As at 31 December 2012, other receivables from related parties amounting to USD 8,521 thousand comprise receivable due from PrJSC Dniprovska Prystan with a maturity on 30 November 2013. The receivable is measured at amortised cost using an effective interest rate of 14.2 per cent. In 2012 the Group initiated bankruptcy proceedings against the mentioned related party and as at 31 December 2012, Dniprovska Prystan is declared insolvent by the court. The management of the Group believes that it will be able to recover the balance amounting to USD 2,449 thousand due to existence of sufficient assets of short-term nature and, accordingly, this portion of receivable is not considered to be impaired as at 31 December 2012. Management has recognized allowance for impairment for the remaining portion of receivables amounting to USD 6,072 thousand due to significant uncertainty in settlement of these balances by Dniprovska Prystan.

11. Cash and cash equivalents

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

	2010 US$'000	2011 US$'000	2012 US$'000
Bank balances	4,445	7,415	6,112
Call deposits	71,665	25,272	1,453
	76,110	32,687	7,565

As at 31 December 2012, in connection with its loans and borrowings, the Group pledged bank balances of USD 17 thousand (31 December 2011 – USD 369 thousand; 31 December 2010 – USD 1,012 thousand).

As at 31 December 2011 and 31 December 2010, cash on call deposits represent funds held in the Estonian branch of UniCredit Bank and Barclays Wealth for execution of the Assofit call option with no restrictions on the accounts.

12. Share Capital

Share capital as at 31 December is as follows:

	2010			2011			2012		
	Number of shares	*US dollars*	*EUR*	*Number of shares*	*US dollars*	*EUR*	*Number of shares*	*US dollars*	*EUR*
Authorised									
At 1 January	2,000	2,819	2,000	6,462	8,667	6,462	6,462	8,667	6,462
Increase in authorized capital	4,462	5,848	4,462	–	–	–	1,046,164	45,189	36,051
Division of shares	–	–	–	–	–	–	83,973,683	–	–
At 31 December	6,462	8,667	6,462	6,462	8,667	6,462	85,026,309	53,856	42,513
Par value, EUR			1			1			0,0005
Issued and fully paid									
At 1 January	2,000	2,819	2,000	6,462	8,667	6,462	6,462	8,667	6,462
Issue of shares	4,462	5,848	4,462	–	–	–	1,046,164	45,189	36,051
Division of shares	–	–	–	–	–	–	83,973,683	–	–
At 31 December	6,462	8,667	6,462	6,462	8,667	6,462	85,026,309	53,856	42,513

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.

As at 31 December 2009 the share capital of the Company was represented by 2,000 ordinary shares with a par value of EUR 1 each (equivalent was of USD 1.4).

During 2010 the share capital of the Group increased to 6,462 ordinary shares in several steps, as set out below:

In accordance with the shareholders' agreement and subscription agreement between Retail Real Estate S.A. and Dragon-Ukrainian Properties & Development plc dated 10 September 2010, 1,077 newly issued ordinary shares of the Group with a par value of EUR 1 each (equivalent to USD 1.3) were allotted to Dragon – Ukrainian Properties and Development plc for a consideration of USD 30,000 thousand.

On 11 November 2010 following the shareholders' agreement between Retail Real Estate S.A. and Dragon – Ukrainian Properties and Development plc. the board of directors approved the issue of 2,308 ordinary shares with a par value of EUR 1 each (equivalent to USD 1.3). The newly issued ordinary shares were allotted to Retail Real Estate S.A. for a consideration of USD 30,000 thousand.

In accordance with the shareholders agreement and subscription agreement between Retail Real Estate S.A. and Dragon – Ukrainian Properties and Development plc. dated 10 September 2010 an additional 1,077 ordinary shares with a par value of EUR 1 (equivalent to USD 1.3) were retained in the authorized share capital being reserved for ELQ Investors II Limited subject to a loan facility of USD 30,000 thousand to be provided in full by ELQ Investors II Limited by 20 December 2010. In accordance with the agreement a convertible loan facility between the Parent company, Retail Real Estate S.A. and Dragon – Ukrainian Properties and Development plc dated 17 November 2010 the Group should have been provided with a convertible loan facility of USD 30,000 thousand from ELQ Investors II Limited. ELQ Investors II failed to provide the loan facility by 20 December 2010. Therefore, Retail Real Estate realized its right to provide the loan facility instead of ELQ Investors II Limited. Consequently, on 22 December 2010 the Parent Company's board of directors approved the right of Retail Real Estate S.A. to convert the full amount of the loan facility into 1,077 shares.During the year ended 31 December 2012 the Company did not declare any dividends.

In August 2012, the shareholders of the Company decided to increase the authorized share capital to Euro 25,848 divided into 25,848 ordinary shares at par value of EUR 1.00 each.

In 2012, the Company was contemplating an initial public offering of its shares (the "IPO") on the London AIM market ("London AIM"). In order to comply with the requirements of the London AIM, the Company was to fulfill certain requirements, including, among others, conversion into public company and fulfillment of certain other requirements established by the laws of Cyprus for public companies. In August 2012 the shareholders of the Company took decision on the conversion of the Company into a public company with a simultaneous change of the Company's legal name from Arricano Trading Limited to Arricano Real Estate PLC. At the same time, the Company's authorised share capital was increased to meet the minimum requirements established for the share capital of public companies under the laws of Cyprus. On 12 September 2012 the authorised share capital of the Company was divided into 3,231,000 ordinary shares of nominal value Euro 0,01 and on the same day the authorised share capital was further increased to Euro 42,513 divided into 4,251,316 ordinary shares of nominal value Euro 0,01 each by the creation of 1,020,316 ordinary shares of Euro 0,01 each. On 19 September 2012 the authorised share capital was further divided into 85,026,320 ordinary shares with nominal value of Euro 0.0005 each, of which 64,620,000 ordinary shares with nominal value of EUR 0.0005 each were allotted to existing shareholders.

Further, with a view to fulfill obligations of the Company under share purchase agreements with new investors, concluded with a view to facilitate the IPO process, on 26 September 2012 the Board of Directors of the Company took decision on allotment of 20,406,309 shares to new investors for total consideration of USD 70,000 thousand. At the date of these financial statements, these shares are unpaid.

Subsequent to allotment of these shares, the Company did not fulfill certain conditions stipulated in the share purchase agreements. In particular it has not completed the requirements for listing on the London AIM as well as it has not completed the purchase of certain properties for development. In these circumstances, share purchase agreements require the Company and the investors to take all necessary steps to unwind the purchase of the shares by the investors. The Board of Directors of the Company made a call on unpaid shares by sending the necessary notices to investors. Further to the investors' non-compliance with the notices and non-payment of the consideration for the issue of the shares, on 16 April 2013 the Board of Directors of the Company initiated the procedure for the forfeiture of the shares. Upon completion of the forfeiture of the shares issued to the new investors, the Company's Board of Directors disposed of the shares forfeited as appropriate and in the interests of the Company. Thus, the effect related to forfeiture of the shares is recognised in other reserves within equity.

On 14 July 2011 the Company entered into a transaction pursuant to which ELQ Investors II Ltd, a wholly-owned subsidiary of The Goldman Sachs Group, Inc provided the Company with convertible loans in the maximum amount of up to 40 million US dollars at an interest rate of 11.5 per cent. per annum. Out of the maximum amount 30 million US dollars has been provided to the Company to date. The funds have been used by the Company to provide a loan (with interest at 11.85 per cent. p.a.) to Weather Empire (a special purpose vehicle incorporated in the British Virgin Islands) in order to purchase 1,077 shares in the Company from Retail Real Estate S.A.

As part of the transaction, ELQ Investors II Ltd received one share in the Company from Retail Real Estate S.A. The shares purchased by Weather Empire are held under escrow by a Cypriot escrow agent, Themis Professional Services Limited. Voting rights in respect of the shares held by Weather Empire are exercised either by Retail Real Estate S.A. (solely) or, in respect of certain matters, by Retail Real Estate and ELQ Investors II Ltd jointly until loan maturity (31 December 2013), conversion of the loan into shares in the Company or 9 months after ELQ Investors II Ltd serves a notice of non-conversion. In accordance with a call option agreement from 14 July 2011 ELQ Investors II Limited obtained the right to receive the entire issued capital of Weather Empire, which in turn holds the ordinary shares of the Group, for USD 1. The conversion period ended on 30 June 2013. ELQ Investors II did not exercise the option to convert the loan.

Subsequent to the non-conversion of this option, the shares of Weather Empire were divided between DUPD (20 per cent.) and Retail Real Estate (80 per cent.). Ownership of Weather Empire has been transferred in full to RRE on or about 12 August 2013. Since year end, the Company has agreed refinancing with International Baltic Investments Ltd (see paragraph 11.1.1(a) of Part XIV) in order to settle the liability owing to ELQ Investors II (see note 25).

13. Loans and borrowings

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

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Non-current			
Secured bank loans	48,522	41,002	33,008
Unsecured loans from related parties	73,260	31,275	–
	121,782	72,277	33,008
Current			
Secured bank loans (current portion of long-term bank loans)	48,341	7,702	8,138
Unsecured loans from related parties	61,774	881	35,186
	110,115	8,583	43,324
	231,897	80,860	76,332

Terms and debt repayment schedule

As at 31 December 2010, the terms and debt repayment schedule of bank loans are as follows:

	Currency	*Nominal interest rate*	*Contractual year of maturity*	*Face value US$'000*	*Carrying value US$'000*
Secured bank loans					
Ukrsibbank	USD	11.90%	2014	12,312	12,438
Ukrsibbank	USD	15.00%	2011	3,426	3,471
UniCredit Bank	USD	3M LIBOR + 10.00%	2012	11,575	11,883
UniCredit Bank	USD	3M LIBOR + 7.5%	2012	21,579	21,579
UniCredit Bank	USD	3M LIBOR + 10.52%	2012	4,713	4,713
EBRD	USD	3M LIBOR + 4.5%	2018	42,695	42,779
				96,300	96,863
Unsecured loans from related parties					
Filgate Credit Enterprises Limited	USD	9.80%	2011	9,485	10,081
Filgate Credit Enterprises Limited	USD	10.00%	2011	41,279	51,254
Filgate Credit Enterprises Limited	USD	10.00%	2012	29,924	41,033
Filgate Credit Enterprises Limited	USD	10.00%	2013	15,000	21,752
Filgate Credit Enterprises Limited	USD	10.00%	2014	8,012	10,196
Loans from other related parties	UAH/USD	0.00%–10.00%	2011–2013	708	718
				104,408	135,034
				200,708	231,897

Notes:

* The interest rate on the loan facility from UniCredit Bank was increased from 3M LIBOR + 6.75 per cent. to 3M LIBOR + 10.00 per cent. from 1 September 2010 in accordance with the additional agreement signed on 30 April 2010.

** The interest rate on the loan facility from UniCredit Bank was increased from 3M LIBOR + 4.75 per cent. to 3M LIBOR + 7.50 per cent. from 1 September 2010 in accordance with the additional agreement signed on 26 July 2010.

*** The interest rate on the loan facility from UniCredit Bank was increased from 3M LIBOR + 4.75 per cent. to 3M LIBOR + 10.52 per cent. from 1 September 2010 in accordance with the additional agreement signed on 26 July 2010.

As at 31 December 2011, the terms and debt repayment schedule of bank loans are as follows:

	Currency	*Nominal interest rate*	*Contractual year of maturity*	*Face value US$'000*	*Carrying value US$'000*
Secured bank loans					
Ukrsibbank	USD	11.90%	2014	10,375	10,483
EBRD	USD	3M LIBOR + 4.5%	2018	38,147	38,221
				48,522	48,704
Unsecured loans from related parties					
ELQ Investors II Limited*	USD	11.50%	2013	31,238	31,499
Loans from other related parties	UAH/USD	0.00%–3.20%	2012–2013	644	657
				31,882	32,156
				80,404	80,860

Note:

* 2.0 per cent. of accrued interest shall be paid to ELQ Investors II Limited in cash, and 9.5 per cent. of accrued interest shall be capitalised. In accordance with the call option agreement between Weather Empire and ELQ Investors II Limited from 14 July 2011, the amount (principal plus 9.5 per cent. interest capitalized) shall be offset against the amount due from Weather Empire (on a USD for USD basis) if ELQ Investors II Limited exercises the call option.

As at 31 December LIBOR for USD was as follows:

2010	*2011*	*2012*
0.30%	0.58%	0.31%

As at 31 December 2012, the terms and debt repayment schedule of bank loans are as follows:

	Currency	*Nominal interest rate*	*Contractual year of maturity*	*Face value US$'000*	*Carrying value US$'000*
Secured bank loans					
Ukrsibbank	USD	11.90%	2014	7,552	7,632
EBRD	USD	3M LIBOR + 4.5%	2018	33,450	33,514
				41,002	41,146
Unsecured loans from related parties					
ELQ Investors II Limited*	USD	11.50%	2013	34,333	34,621
Loans from other related parties	UAH/USD	0.00%–3.20%	2012–2014	552	565
				34,885	35,186
				75,887	76,332

Note:

* 2.0 per cent. of accrued interest shall be paid to ELQ Investors II Limited in cash, and 9.5 per cent. of accrued interest shall be capitalised. In accordance with the call option agreement between Weather Empire and ELQ Investors II Limited from 14 July 2011, the amount (principal plus 9.5 per cent. interest capitalized) shall be offset against the amount due from Weather Empire (on a USD for USD basis) if ELQ Investors II Limited exercises the call option.

Breach of loan covenants

(a) *UkrSibBank loans*

As at 31 December 2010 the Group did not comply with the following covenant that is included in loan agreements with Ukrsibbank:

- The ratio between loan financing and the Group's own financing should not exceed the proportion of 70/30.

In accordance with the loan agreement with Ukrsibbank the only potential consequence of the breach is an increase of the interest rate by 2 per cent. Therefore, the loan with maturity in 2014 is classified as non-current. According to the loan agreement the bank should notify the Group about its intention to increase the interest rate by sending a notification relating to the identified breach to the Company.

As at date of this historical financial information no such notification had been received by the Group.

(b) *UniCredit Bank loans*

As at 31 December 2010 the Group did not comply with the following covenant that were included in loan agreements with UniCredit Bank:

- The Group should comply with the repayment schedule in accordance with the loan facility agreements.

Because of a breach of the covenant loans with maturity in 2012 amounting to USD 38,175 thousand was classified as current.

(c) *EBRD*

As at 31 December 2010 the Group did not comply with the following covenants that are included in the loan agreement with the EBRD:

- The debt to equity ratio for CJSC Grandinvest and CJSC UkrPanGroup should not exceed the proportion of 61/39.

- The debt service coverage ratio should not be less than 1.3.

In accordance with the loan agreement with the EBRD only non-compliance with the schedule of repayments is classified as an event of default. Therefore, loans from the EBRD with maturity in 2018 are classified as non-current.

(d) *ELQ Covenant Breaches*

In accordance with the terms of loan agreement with ELQ Investors II Limited, the Group is required to comply with certain covenants. As at 31 December 2012 the Group has not complied with the following debt covenants:

- at the end of each quarter net finance charges should not exceed 2.25 times consolidated operating cash flows of the Group.

- total debt should not exceed 6 times Group's EBITDA.

The breach of the above covenants gives a right to ELQ Investor II Limited to require immediate repayment of the loan before its contractual maturity, which is on 31 December 2013.

As at the date of the historical financial information, the Group has agreed refinancing with International Baltic Investments Ltd (see paragraph 11.1.1(a) of Part XIV) in order to settle the liability owing to ELQ Investors II Limited.

14. Finance lease liability

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2010 US$'000	*Interest 2010 US$'000*	*Present value of minimum lease payments 2010 US$'000*	*Future minimum lease payments 2011 US$'000*	*Interest 2011 US$'000*	*Present value of minimum lease payments 2011 US$'000*	*Future minimum lease payments 2012 US$'000*	*Interest 2012 US$'000*	*Present value of minimum lease payments 2012 US$'000*
Less than six months	610	609	1	257	256	1	80	79	1
Between six and twelve months	610	609	1	257	256	1	398	397	1
Between one and two years	1,220	1,219	1	514	513	1	478	477	1
Between two and five years	3,661	3,654	7	1,543	1,540	3	1,431	1,428	2
More than five years	53,695	44,864	8,829	22,113	18,535	3,576	20,033	16,784	3,247
	59,796	50,955	8,839	24,684	21,100	3,582	22,420	19,165	3,252

The imputed finance costs on the liability are based on the Group's incremental borrowing rate ranging from 15.3 per cent. to 16.0 per cent. (2011–14.33 per cent.; 2010–13.80 per cent.).

The finance lease liability comprises the Group's liability for leasehold land.

During the year ended 31 December 2012, an amendment to lease terms imposed by municipal authorities resulted in a decrease in the amount of future minimum lease payments. Therefore, the Group derecognised finance lease liability amounting to USD 2,016 thousand in profit and loss for the year ended 31 December 2012. Future minimum lease payments as at 31 December 2010, 31 December 2011 and 31 December 2012 are based on the Directors' assessment at these times and calculated based on the actual lease payments effective as at each year end. The future lease payments are subject to review and approval by the municipal authorities and may differ from the Directors' assessment.

The contractual maturity of land lease agreements is ranging from 2016 to 2017. The Group intends to prolong these lease agreements for the period of usage of the investment property being constructed on the leased land. Consequently, the minimum lease payments are calculated for a period of 50 years.

15. Trade and other payables

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

	2010 US$'000	*2011 US$'000*	*2012 US$'000*
Payables for construction works	12,786	7	20,097
Trade and other payables to related parties	5,583	1,173	543
Trade and other payables to third parties	1,228	1,171	3,353
	19,597	2,351	23,993

Included in payables for construction works as at 31 December 2012 are payables under financial guarantee contracts amounting to USD 4,912 thousand granted on behalf of a related party, PrJSC Dniprovska Prystan, in respect of construction works performed at the trade centre "RAYON". This related party was declared insolvent by the court in August 2012. Accordingly, as at 31 December 2012 the Group recognizes a provision in respect of guarantees granted to fulfill related party's obligations related to construction of the trade centre "RAYON", since it became probale that the outflow of economic resources will be required to settle these obligations.

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

16. Advances from customers

Advances from customers as at 31 December are as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Non-current			
Advances from third parties	4,613	4,273	3,534
	4,613	4,273	3,534
Current			
Advances from third parties	7,147	3,343	4,208
Advances from related parties	–	86	86
	7,147	3,429	4,294
	11,760	7,702	7,828

In September 2009 the Group received a prepayment from an anchor tenant for the period of ten years. As at 31 December 2012 the non-current portion of the prepayment amounts to USD 3,534 thousand and the current portion amounts to USD 1,335 thousand (as at 31 December 2011 – USD 4,273 thousand and the current portion amounts to USD 1,221 thousand; as at 31 December 2010 – USD 4,613 thousand and USD 1,439 thousand, respectively; as at 31 December 2009 – USD 5,426 thousand and USD 1,291 thousand, respectively). Remaining advances from customers are mainly represented by prepayments from tenants for two months' of rental payments.

17. Revenue

Revenue for the years ended 31 December is as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Rental income from investment properties	13,455	15,767	15,981
Management and consulting services	19	–	–
Other sales revenue	992	589	440
	14,466	16,356	16,421

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

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Communal public services (note 18)	593	445	178
Advertising (note 19)	351	371	663
Security services (note 19)	425	334	292
Land rent and land taxes (note 19)	32	268	100
Repair, maintenance and building services (note 18)	263	241	234
	1,664	1,659	1,467

No direct operating expenses arose during 2010, 2011 or 2012 in respect of investment property that did not generate rental income during these years.

18. Direct goods and materials

Goods, raw materials and services used for the years ended 31 December are as follows:

	2010 *US$'000*	*2011* *US$'000*	*2012* *US$'000*
Communal public services	593	445	178
Repair, maintenance and building services	263	241	234
Rent expenses	114	–	–
Other costs	538	29	124
	1,508	715	536

19. Operating expenses

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

	2010 *US$'000*	*2011* *US$'000*	*2012* *US$'000*
Management, consulting and legal services	2,674	3,674	7,479
Write-off of prepayments made	–	–	1,161
Office expenses and communication services	294	740	589
Advertising	351	371	663
Administrative expenses	265	343	43
Security services	425	334	292
Land rent and land taxes	32	268	100
Loss on sale of investment property	241	218	51
Tax penalties	58	14	1
Allowance for bad debt impairment	164	5	6,149
Other	1,401	1,520	1,357
	5,905	7,487	17,885

20. Finance income and finance costs

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

	2010 *US$'000*	*2011* *US$'000*	*2012* *US$'000*
Foreign exchange gain	1,286	–	–
Interest income	934	2,597	4,300
Finance income from derecognition of finance lease liability (note 14)	–	–	2,016
Other finance income	626	18	–
Finance income	2,846	2,615	6,316
Interest expense	(19,987)	(10,834)	(6,941)
Foreign exchange loss	–	(1,173)	(107)
Other finance costs	(1,626)	(530)	(514)
Finance costs	(21,613)	(12,537)	(7,562)
Net finance cost	(18,767)	(9,922)	(1,246)

21. Income tax benefit

(a) ***Income tax benefit***

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

	2010 *US$'000*	*2011* *US$'000*	*2012* *US$'000*
Current tax expense	(31)	(16)	(12)
Deferred tax benefit/(expense)	2,563	(764)	(1 492)
Total income tax benefit/(expense)	2,532	(780)	(1,504)

Based on legislation enacted in December 2010 a new tax code became effective in Ukraine on 1 January 2011. Amongst other changes the new tax code changed the corporate profit tax rates. For 2010 and the 3 month-period ended 31 March 2011 a corporate income tax rate of 25 per cent. is applied. A reduced rate of 23 per cent. applies from 1 April 2011 and will gradually decrease further to 21 per cent. and 19 per cent. in 2012 and 2013, respectively, and from 2014 onwards the tax rate will be fixed at 16 per cent. Thus, for the 9 month period ended 31 December 2011 a corporate income tax rate of 23 per cent. applied.

The applicable tax rate is 10 per cent. for Cyprus companies.

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

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

	2010 *US$'000*	*%*	*2011* *US$'000*	*%*	*2012* *US$'000*	*%*
Profit before tax	40,477	100%	8,768	100%	21,327	100%
Income tax expense at statutory rate	10,119	25%	2,016	23%	4,479	21%
Effect of lower tax rates on taxable loss in foreign jurisdictions	233	1%	(1,702)	(19%)	(834)	(4%)
Non-deductible expenses	2,631	6%	1,735	20%	1,871	9%
Tax exempt income	(989)	(2%)	(24)	–	(569)	(3%)
Utilisation of temporary differences	(4,091)	(10%)	(1,372)	(16%)	(4,398)	(21%)
Effect of change in tax rates	(12,003)	(30%)	(1,630)	(19%)	(65)	–
Current year losses for which no deferred tax asset was recognised	1,568	4%	1,757	20%	1,020	5%
Effective income tax expense (benefit)	(2,532)	(6%)	780	9%	1,504	7%

(c) ***Deferred tax***

Deferred tax is not provided in respect of the revaluation of the land portion of investment properties as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future. The management estimates that the assets will be realised through a share deal rather than through an asset deal. Should shares be disposed of, the gains generated from the disposal will be exempted from any tax.

(d) ***Recognized deferred tax assets and liabilities***

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

	Assets			*Liabilities*			*Net*		
	2010	*2011*	*2012*	*2010*	*2011*	*2012*	*2010*	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Investment property	–	–	373	(19,145)	(3,398)	(7,727)	(19,145)	(3,398)	(7,354)
Property and equipment	–	8	–	(39)	(26)	(8)	(39)	(18)	(8)
Trade and other receivables	1,607	1,854	1,781	–	–	–	1,607	1,854	1,781
Prepaid expenses	–	–	10	(148)	–	–	(148)	–	10
Trade and other payables	–	–	–	–	–	(4)	–	–	(4)
Advances from customers	1,354	–	797	–	–	–	1,354	–	797
Short-term borrowings	–	–	12	–	–	–	–	–	12
Tax loss carry-forwards	3,571	33	1,747	–	–	–	3,571	33	1,747
Deferred tax asset/ (liability)	6,532	1,895	4,720	(19,332)	(3,424)	(7,739)	(12,800)	(1,529)	(3,019)

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

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2010 are as follows:

	Balance as at 1 January 2010 asset (liability)	*Recognized in profit or loss*	*Derecognised/ recognised on disposal/ acquisition of subsidiary*	*Foreign currency translation adjustment*	*Balance as at 31 December 2010 asset (liability)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Investment property	(19,222)	(2,221)	2,216	82	(19,145)
Property and equipment	(13)	–	(26)	–	(39)
Trade and other receivables	831	776	–	–	1,607
Prepaid expenses	(41)	(108)	–	1	(148)
Advances from customers	731	624	–	(1)	1,354
Tax loss carry-forwards	92	3,492	–	(13)	3,571
Deferred tax assets (liabilities)	(17,622)	2,563	2,190	69	(12,800)

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2011 are as follows:

	Balance as at 1 January 2011 asset (liability) US$'000	*Recognised in profit or loss US$'000*	*Derecognised/ recognised on disposal/ acquisition of subsidiary US$'000*	*Foreign currency translation adjustment US$'000*	*Balance as at 31 December 2011 asset (liability) US$'000*
Investment property	(19,145)	3,376	12,343	28	(3,398)
Property and equipment	(39)	19	2	–	(18)
Trade and other receivables	1,607	247	–	–	1,854
Prepaid expenses	(148)	148	–	–	–
Advances from customers	1,354	(1,354)	–	–	–
Tax loss carry-forwards	3,571	(3,200)	(338)	–	33
Deferred tax assets (liabilities)	(12,800)	(764)	12,007	28	(1,529)

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2012 are as follows:

	Balance as at 1 January 2012 asset (liability) US$'000	*Recognised in profit or loss US$'000*	*Foreign currency translation adjustment US$'000*	*Balance as at 31 December 2012 asset (liability) US$'000*
Investment property	(3,398)	(3,958)	2	(7,354)
Property and equipment	(18)	10	–	(8)
Trade and other receivables	1,854	(73)	–	1,781
Trade and other payables	–	(4)	–	(4)
Advances received	–	797	–	797
Prepaid expenses	–	10	–	10
Short-term borrowings	–	12	–	12
Tax loss carry-forwards	33	1,714	–	1,747
Deferred tax assets (liabilities)	(1,529)	(1,492)	2	(3,019)

(f) ***Unrecognised deferred tax assets***

Deferred tax assets as at 31 December 2010 have not been recognised in respect of the following items:

	Balance as at 1 January 2010 US$'000	*Utilisation of previously unrecognised temporary differences US$'000*	*Increase in unrecognised tax loss carry-forwards US$'000*	*Foreign currency translation adjustment US$'000*	*Balance as at 31 December 2010 US$'000*
Investment property	3,385	(2,806)	–	7	586
Trade and other receivables	2,676	(772)	–	10	1,914
Advances from customers	2,091	(513)	–	8	1,586
Tax loss carry-forwards	3,336	–	1,568	21	4,925
	11,488	(4,091)	1,568	46	9,011

Deferred tax assets as at 31 December 2011 have not been recognised in respect of the following items:

	Balance as at 1 January 2011 US$'000	*Increase in (utilisation of) previously unrecognised temporary differences US$'000*	*Increase in unrecognised tax loss carry-forwards US$'000*	*Derecognised/ recognised on disposal/ acquisition of subsidiary US$'000*	*Balance as at 31 December 2011 US$'000*
Investment property	586	(69)	–	–	517
Trade and other receivables	1,914	(1,524)	–	–	390
Advances from customers	1,586	31	–	–	1,617
Tax loss carry-forwards	4,925	190	1,757	(1,470)	5,402
	9,011	(1,372)	1,757	(1,470)	7,926

Deferred tax assets as at 31 December 2012 have not been recognised in respect of the following items:

	Balance as at 1 January 2012 US$'000	*Utilisation of previously unrecognised temporary differences US$'000*	*Increase in unrecognised tax loss carry-forwards US$'000*	*Balance as at 31 December 2012 US$'000*
Investment property	517	(517)	–	–
Trade and other receivables	390	(390)	–	–
Advances from customers	1,617	(1,352)	–	265
Tax loss carry-forwards	5,402	(2,139)	413	3,676
	7,926	(4,398)	413	3,941

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 these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

22. 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 this historical financial information.

(b) *Risk management framework*

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

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

(c) *Credit risk*

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently challenging economic circumstances. There is no significant concentration of receivables from a single customer. In 2010, 2011 and 2012 all of the Group's revenue is attributable to sales transactions with domestic customers.

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

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

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

Guarantees

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December is as follows:

	Note	*2010*	*2011*	*2012*
		US$'000	*US$'000*	*US$'000*
Loans receivable	8	44,338	41,921	45,239
Other long-term receivables	10	–	2,728	–
Trade and other receivables	10	4,000	2,363	3,637
Cash and cash equivalents	11	76,110	32,687	7,565
		124,448	79,699	56,441

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of VAT receivable and prepaid expenses amounting in total to USD 14,512 thousand as at 31 December 2012 (31 December 2011: USD 7,187 thousand).

(i) *Impairment losses*

The ageing of trade and other receivables as at 31 December was:

	2010	*2010*	*2011*	*2011*	*2012*	*2012*
	Gross	*Impairment*	*Gross*	*Impairment*	*Gross*	*Impairment*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Not past due	2,149	–	432	–	9,674	–
Past due 0 – 30 days	401	–	162	–	–	–
Past due 31 – 60 days	6	–	45	–	5	–
Past due 61 – 90 days	325	–	9	–	4	–
Past due 91 – 360 days	405	–	167	–	13	(13)
More than one year	14,801	(14,087)	12,233	(10,685)	10,681	(10,655)
	18,087	(14,087)	13,048	(10,685)	20,377	(10,668)

The movement in the allowance for impairment in respect of trade and other receivables during the year ended 31 December was as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Balance at 1 January	(14 029)	(14 087)	(10 685)
Impairment loss derecognised on loss of control in subsidiary	–	3,369	–
Impairment loss recognised	(164)	(5)	(6,149)
Bad debts write-off/recovery	–	–	94
Foreign currency translation differences	106	38	–
Balance at 31 December	(14,087)	(10,685)	(16,740)

(d) ***Liquidity risk***

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

The following are the contractual maturities of financial liabilities, including interest payments as of 31 December 2010:

			Contractual cash flows				
	Carrying amount US$'000	*Total US$'000*	*6 months or less US$'000*	*6–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Secured bank loans	96,863	108,789	14,208	40,391	17,657	25,183	11,350
Unsecured loans from related parties	135,034	152,422	10,158	51,782	24,662	65,820	–
Finance lease liability	8,841	59,796	610	610	1,220	3,661	53,695
Trade and other payables	19,597	19,597	14,015	5,582	–	–	–
	260,335	340,604	38,991	98,365	43,539	94,664	65,045

The following are the contractual maturities of financial liabilities, including interest payments as of 31 December 2011:

			Contractual cash flows				
	Carrying amount US$'000	*Total US$'000*	*6 months or less US$'000*	*6–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Secured bank loans	48,704	57,013	5,174	5,118	21,766	20,763	4,192
Unsecured loans from related parties	32,156	39,249	261	882	38,106	–	–
Finance lease liability	3,584	24,684	257	257	514	1,543	22,113
Trade and other payables	2,351	2,351	1,682	669	–	–	–
	86,795	123,297	7,374	6,926	60,386	22,306	26,305

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2012:

			Contractual cash flows				
	Carrying amount US$'000	*Total US$'000*	*2 months or less US$'000*	*2–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Secured bank loans	41,146	47,328	643	9,669	11,695	21,078	4,243
Unsecured loans from related parties	35,186	39,285	866	38,419	–	–	–
Finance lease liability	3,254	22,420	80	398	478	1,431	20,033
Trade and other payables	23,993	23,993	18,701	5,292	–	–	–
	103,579	133,026	20,290	53,778	12,173	22,509	24,276

(e) ***Market risk***

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

(i) *Currency risk*

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the Ukrainian Hryvnia (UAH), primarily the US Dollar (USD), but also 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.

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

	2010		*2011*		*2012*	
	USD	*EUR*	*USD*	*EUR*	*USD*	*EUR*
	US$'000	*'000*	*US$'000*	*'000*	*US$'000*	*'000*
Loans receivable	43,571	–	40,524	–	44,740	
Cash and cash equivalents	74,988	–	32,569	1	1	29
Secured bank loans	(96,863)	–	(48,704)	–	(41,146)	–
Unsecured loans from related parties	(134,594)	–	(31,536)	–		
Trade and other payables	(3,648)	(5,708)	–	–	(4,378)	(1,852)
Net (short) long position	(116,546)	(5,708)	(7,147)	1	(783)	(1,823)

Sensitivity analysis

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

	2010		*2011*		*2012*	
	Profit or loss	*Equity*	*Profit or loss*	*Equity*	*Profit or loss*	*Equity*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
USD	(8,741)	(8,741)	(550)	(550)	(3,596)	(3,596)
EUR	(428)	(428)	–	–	(144)	(144)

(ii) *Interest rate risk*

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

Refer to note 13 for information about maturity dates and effective interest rates of fixed rate and floating rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

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

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Fixed rate instruments			
Loans receivable	44,338	41,921	45,239
Loans and borrowings	(150,942)	(42,639)	(42,818)
	(106,604)	(718)	2,421
Variable rate instruments			
Loans and borrowings	(80,955)	(38,221)	(33,514)
	(80,955)	(38,221)	(33,514)

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss as at and for the year ended 31 December by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2010		*2011*		*2012*	
	Profit or loss US$'000	*Equity US$'000*	*Profit or loss US$'000*	*Equity US$'000*	*Profit or loss US$'000*	*Equity US$'000*
Loans and borrowings	(607)	(607)	(294)	(294)	(265)	(265)
	(607)	(607)	(294)	(294)	(265)	(265)

(f) ***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 this historical financial information 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 Directors believe that for all the financial assets and liabilities, except for certain loans receivable and loans and borrowings payable as indicated below, the carrying value is estimated to approximate the fair value as at 31 December 2010, 31 December 2011 and 31 December 2012.

(g) ***Capital management***

The Directors define capital as total equity attributable to equity holders of the parent. The Group has no formal policy for capital management but the Directors seek to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved 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 each of the years ended 31 December 2010, 31 December 2011 or 31 December 2012.

23. Commitments and contingencies

(a) *Pledged assets*

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

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Investment property (note 7)	216,260	581	84,500
Bank balances (note 11)	1,012	369	17
	217,272	950	84,517

As at 31 December 2012 and 31 December 2011 the Group has also pledged the following:

- Future rights on income of Prizma Alfa LLC under lease agreements with Auchan Hypermarket Ukraine LLC.
- Guarantees of Retail Real Estate S.A., Lacecap Limited, Beta Property Management Limited and Filgate Credit Enterprises Ltd.
- Investments in the following subsidiaries: Grandinvest LLC and UkrPanGroup PrJSC.

(b) *Construction commitments*

The Group entered into contracts with a related party to construct the second phase of South Gallery project in Simferopol for USD 16,966 thousand as at 31 December 2012 (31 December 2011: USD 5,047 thousand for the M26 project in Kyiv; 31 December 2010 – USD 38,198 thousand for the second phase of City Mall in Zaporizhzhia and the M26 project in Kyiv).

(c) *Operating leases commitments*

The Group as lessee

The Group entered into lease agreements on office premises. Lease agreements are for one year term with renewal option.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Less than one year	144	–	–
	144	–	–

The Group as lessor

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

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

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Less than one year	6,348	3,687	1,477
Between one and five years	6,629	7,419	3,056
More than five years	7,360	5,413	–
	20,337	16,519	4,533

(d) ***Litigation***

In the ordinary course of business, the Group is subject to legal actions and complaints. Management is unaware of any significant actual, pending or threatened claims against the Group, except as described in note 4.

(e) ***Taxation contingencies***

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

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

24. Related party transaction

(a) ***Control relationships***

The Group's shareholders are Retail Real Expert S.A., Dragon – Ukrainian Properties and Development plc, Weather Empire, ELQ Investors II Limited and Sigma Real Estate Limited. The Group's ultimate controlling party is Estonian individual Hillar Teder.

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

Key management remuneration

Key management compensation included in the statement of comprehensive income for the year ended 31 December 2012 is represented by salary and bonuses of USD 351 thousand (2011: USD 302 thousand; 2010: USD 252 thousand).

(c) ***Transactions with other related parties***

Outstanding balances with other related parties as at 31 December are as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Long-term loans receivable	38,971	40,470	1,473
Short-term loans receivable	5,367	1,451	43,766
Trade receivable	110	39	–
Other receivables	360	1,510	8,899
Prepaid expenses	371	–	–
	45,179	43,470	54,138
Long-term loans and borrowings	73,260	31,275	–
Short-term loans and borrowings	61,774	881	35,186
Trade and other payables	5,583	1,173	543
Payables for construction works	1,665	7	18,681
Other long-term payables	144	–	–
Advances from customers	–	86	86
	142,426	33,422	54,496

None of the balances are secured.

Expenses incurred and income earned from transactions with other related parties for the years ended 31 December are as follows:

	2010	*2011*	*2012*
	US$'000	*US$'000*	*US$'000*
Interest expense	(14,955)	(5,820)	(3,748)
Interest income	884	2,273	4,248

(d) ***Guarantees issued by the related parties***

The Group's related parties (Retail Real Estate S.A. and Filgate Credit Enterprises Ltd) issued guarantees to EBRD in order to secure loans payable by the Ukrainian subsidiaries of the Company (specifically Grandinvest PrJSC and UkrPanGroup PrJSC) to EBRD. The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans of USD 33,514 thousand (2011 – USD 38,221 thousand; 2010 – USD 42,779 thousand).

25. Post Balance Sheet Events

(a) ***Loan agreements and refinancing***

During 2013, several new loan agreements have been entered into with a number of lenders for the purposes of both refinancing certain arrangements in place as at 31 December 2012, and additionally to finance further construction within the Group.

Following the non-conversion of the ELQ Investors II limited loan facility, refinancing has been sought in the form of a USD 28,500 thousand loan from International Baltic Investments Ltd., as summarised in paragraph 11.1.1(a) of Part XIV of this document.

The Group has attracted new long-term loan facilities in order to finance settlement of the Group's payables for construction works amounting to USD 14,000 thousand and to finance construction of the second phase of South Gallery project in Simferopol for the amount of USD 11,000 thousand. The total value of the loan facility (USD 25,000 thousand) attracts interest at 10.5 per cent. The contractual maturity of the newly attracted loan facilities is 20 April 2020.

For the purposes of refinancing the Ukrsibbank loans and Beta Property Management Ltd, the Group have attracted a new long-term facility with a limit of USD 15,000 thousand. The agreement attracts interest at a rate of 10.75 per cent., with a maturity date of 20 June 2020.

(b) ***Litigation and legal fees***

The Company is involved in several court proceedings in the UK, Cyprus and Ukraine, both in relation to Assofit and a number of other parties, further details of which are contained within Section 9 of this Admission Document. As at 31 December 2012 the outcome of the litigation is unknown and the outcome or any liabilities that may arise, cannot be ascertained with any certainty. Accordingly, no liabilities, contingent or otherwise, are deemed to exist in this regard and no provision had been included within the consolidated financial statements. Please refer to paragraph 9 of Part XIV ("Additional Information") for further detail.

In the six month period following year end 2012, the Group have incurred legal fees totalling USD 6,134 thousand in respect of the above litigation cases.

(c) ***Share Purchase Agreement***

On 5 September 2013, the Company entered into four share purchase agreements with Vunderbuilt S.A. ("Vunderbuilt") whereby, subject to certain conditions (which the Company expects to be satisfied in advance of Admission), the Company acquired the entire issued share capital of each of:

(i) Twible Holdings Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 287645 and wholly owned by Vunderbuilt, which is the sole shareholder of Comfort Market Lux Limited Liability Company registered in Ukraine and which operates and manages Krasnotkatska (Prospekt), being one of the four additional Development Properties;

(ii) Wayfield Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 277558 and wholly owned by Vunderbuilt, which is the sole shareholder of Budkhol Limited Liability Company registered in Ukraine and which operates and manages Lukianivka, being one of the four additional Development Properties;

(iii) Sapete Holding Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 287747 and wholly owned by Vunderbuilt, which is the sole shareholder of Vektor Capital Limited Liability Company registered in Ukraine and which operates and manages the Odesa Project, being one of the four additional Development Properties; and

(iv) Gelida Holding Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 287633 and wholly owned by Vunderbuilt, which is the sole shareholder of Mezokred Holding Limited Liability Company registered in Ukraine and which operates and manages Petrivka, being one of the four additional Development Properties.

Pursuant to the terms of the agreements, the Company also agrees to issue 28,350,214 Ordinary Shares to Vunderbuilt as consideration for the acquisition. These Ordinary Shares will be admitted to trading on AIM as part of the Admission. Please refer to paragraph 11.2 of Part XIV ("Additional Information") for further detail.

(d) ***Loans receivable***

Following 31 December 2012, ownership of Weather Empire has been transferred in full to RRE on or about 12 August 2013, further details of which are set out in paragraph 11.1.3 of Part XIV. RRE have provided a guarantee to the Company on the balance due from Weather Empire (USD 35,466 thousand as at 31 December 2012).

(e) ***Other***

On 20 July 2013, the authorised share capital of the Company was further increased to EUR53,000 divided into 106,000,000 Ordinary Shares.

SECTION C: INDEPENDENT LIMITED ASSURANCE REPORT ON THE UNAUDITED HISTORICAL INTERIM FINANCIAL INFORMATION OF THE GROUP

The following is the full text of a report on Arricano Real Estate Plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Arricano Real Estate Plc.

BAKER TILLY

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The Directors
Arricano Real Estate Plc
195 Makarious III Avenue
Neocleous House
3030, Limassol
Cyprus

6 September 2013

Dear Sirs,

Independent Review Report
Arricano Real Estate PLC ("the Company")
and its subsidiaries ("the Group")

Introduction

We have been engaged by the Company to review the unaudited consolidated interim financial information relating to the Group for the six month period ended 30 June 2013 ("Group Interim Financial Information") as set out in Part VIII Section D of the Admission Document dated 6 September 2013 ("Admission Document"). We have read the other information contained in the Admission Document and considered whether it contains any apparent misstatements or material inconsistencies with the Interim Financial Information.

This report is made solely to the Company in accordance with the requirements of International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council in the United Kingdom ("ISRE 2410"), as if it applied to the Company's auditor and for no other purpose. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the opinions we have formed or consenting to its inclusion in the Admission Document.

Responsibilities

The Group Interim Financial Information is the responsibility of, and have been approved by, the directors of the Company ("the Directors"). The Directors are responsible for preparing the Interim Financial Information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union and by applying the accounting policies and presentation consistent with those that will be adopted in the Company's next annual financial statements and the requirements of paragraph 20.6 of Annex I of Appendix 3.1.1 of the Prospectus Rules as is applied by part (a) of Schedule Two to the AIM Rules.

Our responsibility is to express to the Company a conclusion on the Interim Financial Information, for the purposes of the Admission Document, based on our review.

Scope of review

We conducted our review in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom and ISRE 2410 as if it applied to the Company's auditor. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Group Interim Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that, for the purposes of the Admission Document, the Group Interim Financial Information has not been prepared, in all material respects, with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

SECTION D: Consolidated unaudited interim financial information of the Group

As at and for the six months ended 30 June 2013

Consolidated Unaudited Balance Sheets

	Notes	*30 June 2013 (unaudited) US$'000*	*31 December 2012 (audited) US$'000*
Assets			
Non-current assets			
Investment property	5	168,900	161,216
Available-for-sale financial assets	6	20,727	20,727
Deferred tax asset		1,182	956
Long-term loans receivable	7	1,494	1,473
Long-term VAT recoverable	8	5,096	5,630
Property and equipment		507	455
Intangible assets		76	91
Total non-current assets		197,982	190,548
Current assets			
Inventories		4	91
Trade and other receivables	9	3,789	3,637
Loans receivable	7	45,993	43,766
Prepaid expenses		652	651
VAT recoverable	8	5,055	3,825
Cash and cash equivalents	10	10,443	7,565
Restricted deposits	10	664	–
Total current assets		66,600	59,535
Total assets		264,582	250,083

Consolidated Unaudited Balance Sheets

	Notes	*30 June 2013 (unaudited) US$'000*	*31 December 2012 (audited) US$'000*
Equity and Liabilities			
Equity			
Share capital	11	41	54
Share premium	11	89,994	159,981
Additional paid-in capital		59,713	59,713
Retained earnings		43,798	47,312
Other reserves	11	(61,983)	(131,980)
Foreign currency translation differences	11	(512)	(512)
Total equity		131,051	134,568
Non-current liabilities			
Long-term borrowings	12	52,728	33,008
Advances from customers	15	3,208	3,534
Finance lease liability	13	5,266	3,252
Deferred tax liability		4,358	3,975
Other long-term payables		10	–
Total non-current liabilities		65,570	43,769
Current liabilities			
Short-term borrowings	12	46,125	43,324
Trade and other payables	14	17,032	23,993
Tax payables		188	133
Advances from customers	15	4,614	4,294
Current portion of finance lease liability	13	2	2
Total current liabilities		67,961	71,746
Total liabilities		133,531	115,515
Total equity and liabilities		264,582	250,083

Unaudited Consolidated Statements of Comprehensive Income

	Notes	*Six months ended 30 June 2013 (unaudited) US$'000*	*Six months ended 30 June 2012 (unaudited) US$'000*
Revenue	16	12,151	6,446
Other income		636	77
(Loss) gain on revaluation of investment property	5	(1,689)	27,579
Goods, raw materials and services used	17	(450)	(271)
Operating expenses	18	(8,930)	(4,035)
Employee costs		(1,677)	(1,307)
Depreciation and amortisation		(103)	(47)
(Loss)/gain from operating activities		(62)	28,442
Finance income	19	2,467	2,114
Finance costs	19	(5,762)	(3,829)
(Loss) profit before income tax		(3,357)	26,727
Income tax expense	20	(157)	(3,439)
Net (loss) profit for the period		(3,514)	23,288
Foreign currency translation adjustment		–	33
Total comprehensive (loss) income for the period attributable to equity holders of the parent		(3,514)	23,321

Unaudited Consolidated Cash Flow Statements

	Notes	*Six months ended 30 June 2013 (unaudited) US$'000*	*Six months ended 30 June 2012 (unaudited) US$'000*
Operating activities			
(Loss) profit before income tax		(3,357)	26,727
Adjustments for:			
Finance income	19	(2,467)	(2,114)
Finance costs	19	5,762	3,829
Loss (gain) on revaluation of investment property	5	1,689	(27,579)
Loss on sale of investment property		–	264
Depreciation and amortisation		103	47
Write-off of inventories	18	104	–
Provision for bad debts	18	230	1,240
Operating cash flows before changes in working capital		2,064	2,414
Working capital adjustments			
Change in inventories		(17)	12
Change in trade and other receivables		(235)	(2,489)
Change in prepaid expenses		(1)	(1,330)
Change in trade and other payables		939	577
Change in advances from customers and other long-term payables		4	(99)
Change in tax payables		55	–
Change in VAT recoverable		875	1,037
Interest paid		(1,724)	(1,556)
Total cash flow from operating activities		1,960	(1,434)
Investing activities			
Acquisition of investment property		(17,273)	(4,669)
Acquisition of property and equipment		(140)	(122)
Change in VAT recoverable		(1,571)	(3,074)
Placement of the restricted deposit		(664)	–
Interest received		72	57
Cash flows used in investing activities		(19,576)	(7,808)
Financing activities			
Proceeds from borrowings, net of transaction costs		24,897	–
Loans received from related parties		41	–
Loans repaid to related parties		(156)	–
Repayment of borrowings		(3,951)	(4,024)
Finance lease payments		(334)	–
Withdrawal of other reserves		(3)	–
Cash flows from (used in) financing activities		20,494	(4,024)
Net increase (decrease) in cash and cash equivalents		2,878	(13,266)
Cash and cash equivalents at 1 January		7,565	32,687
Effect of exchange rate fluctuations on cash balances		–	47
Cash and cash equivalents at 30 June		10,443	19,468

Unaudited Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent						
	Share capital US$'000	*Share premium US$'000*	*Additional paid-in capital US$'000*	*Retained earnings US$'000*	*Other reserves US$'000*	*Foreign currency translation differences US$'000*	*Total US$'000*
Balances at 1 January 2012	9	89,994	59,713	27,489	(61,980)	(536)	114,689
Total comprehensive income for the period							
Net profit for the period (unaudited)	–	–	–	23,288	–	–	23,288
Foreign currency translation differences (unaudited)	–	–	–	–	–	33	33
Total other comprehensive income (unaudited)	–	–	–	–	–	33	33
Total comprehensive income for the period (unaudited)	–	–	–	23,288	–	33	23,321
Balances at 30 June 2012 (unaudited)	9	89,994	59,713	50,777	(61,980)	(503)	138,010

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

1. Background

(a) *Organisation and operations*

Arricano Real Estate Plc is a private limited liability company that was incorporated in Cyprus. The Company's registered office address is 195 Makarios III Avenue, Neocleous House, 3030 Limassol, Cyprus. The Group's 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.

(b) *Business environment*

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the economy of Ukraine have further increased the level of economic uncertainty in the environment.

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

2. Basis of preparation

The consolidated historical financial information comprises the financial position and results of the Company, its subsidiaries and associated entities (together referred to as the "Group").

(a) *Statement of compliance*

This consolidated interim condensed financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2012. This consolidated interim condensed financial information does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) *Judgments and estimates*

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

In preparing the consolidated interim condensed financial information, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012, except that as at 30 June 2013 significant judgment also relates to presentation of loan due from Weather Empire (note 7).

(c) *Going concern*

As at 30 June 2013, the Group's current liabilities exceed current assets by USD 1,361 thousand. Also, during the six months ended 30 June 2013, the Group incurred net loss amounting to USD 3,514 thousand.

At the same time, the Group generated positive cash flows from operating activities in amount of USD 1,960 thousand for the six months ended 30 June 2013 and as at 30 June 2013 has positive equity of USD 131,051 thousand.

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

- In June 2013 the Group concluded loan agreement with PJSC Raiffeisen Bank Aval for irrevocable credit line with a limit of USD 15,000 thousand to refinance existing borrowings. Credit line bears 10.75 per cent. interest rate p.a. and matures in July 2020 (refer to note 24).
- Also, in July 2013 the Group refinanced its loan due to ELQ Investors II Ltd through the related parties' borrowings (refer to note 24).

Management believes that the measures that it undertakes, as described above, will allow the Group to operate on a going concern basis in the foreseeable future. Therefore, management believes that the going concern basis for preparing the consolidated interim condensed financial information is appropriate and there is no significant uncertainty regarding the Group's ability to continue as a going concern.

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

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in the consolidated interim condensed financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012. The following changes are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2013.

(a) *Changes in accounting policy*

From 1 January 2013, the Group adopted Amendments to IAS 1 *Presentation of items of other comprehensive income*, IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*, IFRS 13 *Fair Value Measurement* and *IFRS 10 Consolidated Financial Statements.*

- Amendments to IAS 1 *Presentation of items of other comprehensive income* requires an entity to present separately items of other comprehensive income that could be reclassified in the future to profit or loss from those items that will never be reclassified to profit or loss. In addition, according to the Amendment, the title of statement of comprehensive income was changed to statement of profit or loss and other comprehensive income. Application of Amendments to IAS 1 did not have significant impact on the consolidated interim condensed financial information.
- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. Application of amendments to IFRS 7 did not have significant impact on the consolidated interim condensed financial information.
- IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. Application of IFRS 13 resulted in extended disclosures in respect of fair value of investment property made in the consolidated interim condensed financial information (refer to note 5).
- IFRS 10 *Consolidated Financial Statements* introduces a single control model that applies to all entities including special purpose entities. IFRS 10 supersedes a part of previously effective IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special*

Purpose Entities. The new standard changes the definition of control such that an investor controls an investee when:

– it has power over the investee;

– it is exposed, or has rights, to variable returns from its involvement with the investee, and

– it has the ability to affect those returns through its power over the investee (i.e. there is a link between power and returns).

Application of this standard had no impact on consolidation of the Group's investees.

4. Special purpose entities

LLC Voyazh-Krym

In 2012, the Group consolidated LLC Voyazh-Krym as a special purpose entity. The company was established for the purpose of holding land plots (either under lease agreements, or freehold) for one of the Group's retail centres, South Gallery. As a result it operated to benefit the Group in its business needs.

In 2013 this company became the Group's legal subsidiary.

5. Investment property

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

	Land held on freehold US$'000	*Land held on leasehold US$'000*	*Buildings US$'000*	*Property under construction US$'000*	*Total US$'000*
At 1 January 2013	10,500	9,069	136,198	5,449	161,216
Additions	–	–	87	9,286	9,373
Transfers	–	–	2	(2)	–
Fair value loss on revaluation	–	(300)	(1,389)	–	(1,689)
At 30 June 2013 (unaudited)	10,500	8,769	134,898	14,733	168,900

Movements in investment properties for the six months ended 30 June 2012 are as follows:

	Land held on freehold US$'000	*Land held on leasehold US$'000*	*Buildings US$'000*	*Prepayment for investment property US$'000*	*Property under construction US$'000*	*Total US$'000*
At 1 January 2012	10,100	7,684	64,467	19,506	1,221	102,978
Additions	–	–	10,264	6,565	824	17,653
Transfers	–	–	26,118	(26,073)	(45)	–
Disposals	(117)	–	(147)	–	–	(264)
Fair value gain/(loss) on revaluation	(180)	(99)	27,858	–	–	27,579
Effect of movement in exchange rates	(3)	(2)	(50)	2	(1)	(54)
At 30 June 2012 (unaudited)	9,800	7,583	128,510	–	1,999	147,892

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. Management cannot determine the fair value of property under construction reliably, because at the construction stage the fair value estimate of such property involves management judgment that may significantly differ from actual circumstances.

As at 30 June 2013, in connection with loans and borrowings, the Group has pledged as security investment property with a carrying value of USD 143,580 thousand (31 December 2012: USD 84,500 thousand) (refer to note 22(a)).

To assist with the estimation of the fair value of the Group's investment property as at 30 June 2013, management engaged registered independent appraiser Expandia LLC (formerly CB Richard Ellis LLC), having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

6. Available-for-sale financial assets

As at 30 June 2013 and 31 December 2012, available-for-sale financial assets are represented by investment in Assofit Holdings Limited, in which the Group holds 49.97 per cent. of nominal voting rights without retaining significant influence.

Assofit Holdings Limited is not a publicly listed entity and consequently does not have published price quotations of its shares. Also, management believes that the range and variability of fair value estimates for investment in Assofit is significant. Thus, management believes that the fair value of equity investment in Assofit cannot be measured reliably, therefore this equity investment is measured as cost less impairment.

As at 30 June 2013 and 31 December 2012, management assessed impairment indicators for investment in Assofit. As a result of this analysis, management concluded that as at 30 June 2012 and 31 December 2012 there are no indicators of impairment of investment in Assofit.

7. Loans receivable

Loans receivable are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Non-current assets		
Long-term loans receivable due from related parties	1,340	1,340
Accrued interest receivable due from related parties	154	133
	1,494	1,473
Current assets		
Short-term loans receivable due from related parties	37,603	37,603
Accrued interest receivable due from related parties	8,390	6,163
	45,993	43,766

As at 30 June 2013, the long-term loan receivable due from a related party amounting to USD 1,494 thousand (unaudited), including accrued interest of USD 154 thousand (unaudited) has maturity date on 31 December 2018, is unsecured and bears a 3.2 per cent. interest rate that is fully capitalised and repaid together with principal. As at 31 December 2012, this loan due from a related party amounted to USD 1,473 thousand, including accrued interest of USD 133 thousand.

In July 2011 the Company granted a loan to Weather Empire with the purpose of buying 1,077 shares of the Company's share capital from Retail Real Estate S.A. As at 30 June 2013, the resulting loan receivable of

USD 37,578 thousand (unaudited), including accrued interest of USD 7,578 thousand (unaudited), is short-term with a maturity date of 31 December 2013, is unsecured and bears a 11.85 per cent. fixed interest rate that is fully capitalised and repaid together with the principal. As at 31 December 2012, the above mentioned loan amounted to USD 35,466 thousand, including accrued interest of USD 5,466 thousand.

In accordance with the call option agreement dated 14 July 2011 (see note 11) the amount can be either:

(a) offset against the amount due to ELQ Investors II Ltd. on the date of option execution in case ELQ Investors II Ltd. exercise the conversion right;

(b) in case when the conversion right is not exercised by ELQ Investors II Ltd., the shares of Weather Empire should be transferred to either the Company or, in case it is not permitted by applicable law, to the Company's shareholders being Retail Real Estate S.A., Dragon Ukrainian Properties & Development Plc and Sigma Real Estate Limited.

The conversion period ended on 30 June 2013 and conversion right was not exercised by ELQ Investors II Ltd.

In accordance with the provisions of the Cyprus Companies Law it is prohibited for a public company to purchase its own shares in excess of 10 per cent. of the subscribed share capital. As at 30 June 2013, Weather Empire held 16.67 per cent. of the subscribed share capital of Arricano (see note 11).

As at 30 June 2013, the shares of Weather Empire were not transferred either to the Company or one of the Company's shareholders. Subsequent to this transfer, settlement of the loan depends on intention and ability of the Company's shareholders to repay this loan. Management believes that the shares of Weather Empire will be transferred to one of the Company's shareholders and that the Company's shareholders will ensure repayment of the loan, therefore the loan is considered recoverable.

Subsequent to 30 June 2013, 20 per cent. of the Company's shares held by Weather Empire were approved to be transferred to the Company's shareholder, Dragon Ukrainian Properties & Development Plc at par value. Also, subsequent to the reporting date, the Company and Weather Empire agreed to prolong the maturity date of the loan to 31 December 2014 and to change interest rate to 3 per cent. per annum, however this agreement has not been legalised as at the date the consolidated interim condensed financial information was approved for issuance.

As at 30 June 2013, management believed that the loan due from Weather Empire will be settled according to its contractual maturity. Thus, this loan is presented as current as at that date.

Included in short-term loans receivable as at 30 June 2013 and 31 December 2012 is also a loan due from PrJSC Dniprovska Prystan, a subsidiary of Assofit Holdings Limited, amounting to USD 498 thousand with a maturity date of 15 August 2012. The Group has significant influence over the operating activities of PrJSC Dniprovska Prystan by being significant creditor of this company as well as through its management, thus it is considered a related party to the Group. In 2012 the Group initiated bankruptcy proceedings against the mentioned related party and, as at 30 June 2013, PrJSC Dniprovska Prystan was declared insolvent by the court. The management of the Group believes that it will be able to recover the loan due to the existence of sufficient assets of short-term nature in PrJSC Dniprovska Prystan and, accordingly, the loan is not considered to be impaired as at 30 June 2013 and 31 December 2012.

As at 30 June 2013, remaining short-term loans receivable due from related parties amounting to USD 7,917 thousand (unaudited), including accrued interest of USD 812 thousand, have maturity on 31 December 2013, are unsecured and bear a 3.2 per cent. interest rate. As at 31 December 2012, these loans amounted to USD 7,802 thousand, including accrued interest of USD 697 thousand.

8. VAT recoverable

Management presents VAT recoverable within non-current and current assets based on the expected timing of recovery.

Management expects that long-term VAT recoverable will be recovered in full by 2016.

9. Trade and other receivables

Trade and other receivables are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Trade receivables from related parties	10,617	10,617
Other receivables from related parties	9,217	8,899
Allowance for impairment	(16,870)	(16,689)
	2,964	2,827
Trade receivables from third parties	852	861
Other receivables from third parties	20	–
Allowance for impairment	(47)	(51)
	825	810
	3,789	3,637

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

As at 30 June 2013, other receivables from related parties amounting to USD 8,668 thousand (31 December 2012: USD 8,521 thousand) comprise receivable due from PrJSC Dniprovska Prystan with maturity on 30 November 2013. The receivable is measured at amortised cost using an effective interest rate of 14.2 per cent. In 2012 the Group initiated bankruptcy proceedings against the mentioned related party and, as at 30 June 2013, PrJSC Dniprovska Prystan was declared insolvent by the court. The management of the Group believes that it will be able to recover the portion of the balance amounting to USD 2,596 thousand due to existence of sufficient assets of short-term nature and, accordingly, this portion of receivable is not considered to be impaired as at 30 June 2013 (31 December 2012: USD 2,449 thousand). Management has recognised allowance for impairment for the remaining portion of receivables amounting to USD 6,260 thousand (31 December USD 6,072 thousand) due to significant uncertainty in settlement of these balances by PrJSC Dniprovska Prystan.

10. Cash and cash equivalents

Cash and cash equivalents are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Bank balances	10,443	6,112
Call deposits	–	1,453
	10,443	7,565

As at 31 December 2012, in connection with loans and borrowings, the Group has pledged call deposits of USD 17 thousand (refer to note 22(a)).

Excluded from cash and cash equivalents as at 30 June 2013 are restricted deposits in amount of USD 664 thousand with maturity date on 18 April 2014. These deposits serve as pledge under loan facility with OJSC "Bank "St. Petersburg" maturing in 2020, and thus are expected to be prolonged until the final maturity of the loan.

11. Share capital

Share capital is as follows:

	2013 Number of shares (unaudited)	*2013 US dollars (unaudited)*	*2013 EUR (unaudited)*	*2012 Number of shares (unaudited)*	*2012 US dollars (unaudited)*	*2012 EUR (unaudited)*
Issued and fully paid						
At 1 January and 30 June	64,620,000	41,067	32,310	6,462	8,667	6,462
Authorised						
At 1 January	85,026,316	53,856	42,513	6,462	8,667	6,462
Forfeiture of shares	(20,406,316)	(12,789)	(10,203)	–	–	–
At 30 June	64,620,000	41,067	32,310	6,462	8,667	6,462
Par value, EUR	–	–	0.0005	–	–	0.0005

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

During the six months ended 30 June 2013 and 30 June 2012 the Company did not declare any dividends.

In August 2012, the shareholders of the Company decided to increase the authorised share capital to Euro 25,848 divided into 25,848 ordinary shares at par value of EUR 1.00 each.

In 2012, the Company was contemplating an initial public offering of its shares (the "IPO") on the London AIM Market ("London Aim").

On 26 September 2012 the Board of Directors of the Company took the decision to allot 20,406,316 shares to new investors for total consideration of USD 70,000 thousand. As at 31 December 2012, these shares were unpaid.

Subsequent to allotment of these shares, the Company did not fulfill certain conditions stipulated in share purchase agreements. In particular, it has not completed the requirements for listing on the London AIM as well as it has not completed the purchase of certain properties for development. In these circumstances, share purchase agreements require the Company and the investors to take all necessary steps to unwind the purchase of the shares by the investors. The Board of Directors of the Company made a call on unpaid shares by sending the necessary notices to investors. Further to the investors' non-compliance with the notices and non-payment of the consideration for the issue of the shares, on 16 April 2013 the Board of Directors of the Company initiated the procedure for the forfeiture of the shares. It was expected that upon completion of the forfeiture of the shares issued to the new investors, the Company's Board of Directors will make its decision with regards to the disposal of the shares forfeited as it deems appropriate and in the interests of the Company. Thus, as at 31 December 2012 the effect related to forfeiture of the shares was recognised in other reserves within equity. Subsequently, in accordance with the decision of the Board of Directors of the Company dated 25 May 2013, unpaid shares were legally forfeited, which resulted in decrease in share capital, share premium and increase in other reserves.

On 20 July 2013 the Shareholders of the Company approved the increase of the Company's authorised share capital to EUR 53,000 divided into 106,000,000 ordinary shares of nominal value EUR 0.0005 each.

Also, subsequent to 30 June 2013, the Shareholders approved the sale at par value and transfer of 22.58 per cent. of the Company's shares, owned by Retail Real Estate S.A, to Estonian citizens Juri Pold (11.29 per cent.) and Rauno Tedder (11.29 per cent.).

As at 30 June 2013 and 31 December 2012, the loan payable to ELQ Investors II was secured by the shares of O'Key Group held by a related party.

In July 2013, the Company entered into settlement and release deed, in accordance with which related parties of the Group agreed to settle the Company's indebtedness due to ELQ Investors II Ltd. Simultaneously, the

Company concluded two loan agreements with these related parties up to total amount of USD 37,500 thousand. A loan amounting up to USD 9,000 thousand matures at the earliest of 11 November 2013 or on expiration of the 30 calendar days period from the completion of the listing on London AIM. A loan amounting up to USD 28,500 thousand matures in December 2014.

Foreign currency translation differences

Foreign currency translation differences comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserves

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

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 21.

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Non-current		
Secured bank loans	52,728	33,008
	52,728	33,008
Current		
Secured bank loans (current portion of secured long-term bank loans)	9,406	8,138
Unsecured loans from third parties	36,267	34,621
Unsecured loans from related parties	452	565
	46,125	43,324
	98,853	76,332

The movement in loans and borrowings during the six months ended 30 June 2013 was as follows:

	Currency	*Nominal interest rate*	*Contractual year of maturity*	*Carrying value US$'000*
Balance at 1 January 2013				76,332
Receipts, net of transaction costs (unaudited)				
OJSC "Bank "St. Petersburg"	USD	10.50%	2020	24,897
Loans from related parties	UAH	0.00%	2013	41
Total receipts, net of transaction costs (unaudited)				24,938

	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
				US$'000
Repayments (unaudited)				
Ukrsibbank	USD	11.90%	2014	(1,471)
EBRD	USD	3M LIBOR + 4.5%	2018	(2,480)
Loans from related parties	UAH	0.00%	2013	(156)
Total repayments (unaudited)				(4,107)
Interest				
Accrued (unaudited)				3,414
Repaid (unaudited)				(1,724)
Balance at 30 June 2013 (unaudited)				98,853

Terms and debt repayment schedule

As at 30 June 2013, the terms and debt repayment schedule of bank loans are as follows (unaudited):

	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
				US$'000
Secured bank loans				
Ukrsibbank	USD	11.90%	2014	6,144
EBRD	USD	3M LIBOR + 4.5%	2018	31,023
OJSC "Bank "St. Petersburg"	USD	10.50%	2020	24,967
				62,134
Unsecured loans from third parties				
ELQ Investors II Limited	USD	11.50%	2013	36,267
				36,267
Unsecured loans from related parties				
Loans from other related parties	UAH	0.00%	2013	452
				452
				98,853

As at 31 December 2012, the terms and debt repayment schedule of bank loans are as follows:

	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
				US$'000
Secured bank loans				
Ukrsibbank	USD	11.90%	2014	7,632
EBRD	USD	3M LIBOR + 4.5%	2018	33,514
				41,146

	Currency	Nominal interest rate	Contractual year of maturity	Carrying value US$'000
Unsecured loans from third parties				
ELQ Investors II Limited	USD	11.50%	2013	34,621
				34,621
Unsecured loans from related parties				
Loans from other related parties	UAH/USD	0.00% – 3.20%	2012–2013	565
				565
				76,332

LIBOR for USD is as follows:

	30 June 2013	*31 December 2012*
LIBOR USD 3M	0.27%	0.31%

For description of assets pledged by the Group in connection with loans and borrowings refer to note 22(a).

OJSC "Bank "St. Petersburg"

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

PJSC Raiffeisen Bank Aval

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

Ukrsibbank

Subsequent to 30 June 2013, LLC Prizma Alfa, the company that operates "City Mall' trade centre, repaid the outstanding balance of loans due to Ukrsibbank of USD 6,144 thousand using the funds received from PJSC Raiffeisen Bank Aval according to loan agreement concluded in June 2013.

EBRD

Subsequent to 30 June 2013, PrJSC UkrPanGroup, the company that operates "Sun Gallery" trade centre, repaid principal amount of loan payable to EBRD in the amount of USD 5,000 thousand.

ELQ Investors Limited

In July 2013, the outstanding loan payable to ELQ Investors II Limited was fully repaid using the funds received from related parties under the newly concluded loan agreements (refer to note 11).

13. Finance lease liability

Finance lease liabilities are payable as follows:

	30 June 2013			*31 December 2012*		
	Future minimum lease payments (unaudited)	*Interest (unaudited)*	*Present value of minimum lease payments (unaudited)*	*Future minimum lease payments (audited)*	*Interest (audited)*	*Present value of minimum lease payments (audited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Less than six months	363	362	1	239	238	1
Between six and twelve months	384	383	1	239	238	1
Between one and two years	766	765	1	478	477	1
Between two and five years	2,298	2,293	5	1,431	1,428	3
More than five years	31,810	26,550	5,260	20,033	16,784	3,249
	35,621	30,353	5,268	22,420	19,165	3,254

The imputed finance costs on the liability as at 30 June 2013 and 31 December 2012 are based on the Group's incremental borrowing rate from 15.3 per cent. to 16.0 per cent.

During the period ended 30 June 2013, an amendment to lease terms effected by municipal authorities resulted in an increase in the amount of future minimum lease payments. Therefore, resulting change in finance lease liability amounting to USD 2,014 thousand was recognised in profit and loss within other finance costs for the six months ended 30 June 2013. The municipal authorities can change the lease terms at their own discretion. Should the future minimum lease payments increase as a result of such changes, the Group would be required to recognise additional finance costs.

Future minimum lease payments as at 30 June 2013 and 31 December 2012 are based on management's assessment that is based on actual lease payments effective as at 30 June 2013 and 31 December 2012, respectively. The future lease payments are subject to review and approval by the municipal authorities and may differ from management's assessment.

The contractual maturity of land lease agreements is ranging from 2016 to 2017. The Group has the ability and intends to prolong these lease agreements for the period of usage of the investment property being constructed on the leased land. Consequently, the minimum lease payments are calculated for a period of 50 years.

14. Trade and other payables

Trade and other payables are as follows:

	30 June 2013 (unaudited)	*31 December 2012 (audited)*
	US$'000	*US$'000*
Payables for construction works	12,197	20,097
Trade and other payables to related parties	1,198	543
Trade and other payables to third parties	3,637	3,353
	17,032	23,993

During 2012, the Group had issued guarantees to secure obligations of PrJSC Dniprovska Prystan, a related party, due to its subcontractors under the contracts for construction of the "RAYON" trade centre. On 12 November 2012 this related party was declared insolvent by the court ruling. Accordingly, as at 31 December 2012 the Group recognised a provision in respect of a related party obligations related to construction of the "RAYON" trade centre amounting to USD 4,912 thousand since it became probable that the outflow of economic resources will be required to settle these obligations. During the six months ended 30 June 2013 the Group repaid USD 14,805 thousand due to constructors in respect of the "RAYON" trade centre using funds received from OJSC "Bank "St. Petersburg" under long-term loan agreement concluded in April 2013. Additionally, the Group repaid USD 3,725 thousand due to constructors in respect of the second phase of the "South Gallery" trade centre and incurred additional capital expenditures for the amount of USD 10,630 thousand that are not settled as at 30 June 2013.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

15. Advances from customers

Advances from customers are as follows:

	30 June 2013 (uaudited) US$'000	*31 December 2012 (audited) US$'000*
Non-current		
Advances from third parties	3,208	3,534
	3,208	3,534
Current		
Advances from third parties	4,528	4,208
Advances from related parties	86	86
	4,614	4,294
	7,822	7,828

In September 2009 the Group received a prepayment from an anchor tenant for the period of ten years. As at 30 June 2013, the non-current portion of the prepayment amounts to USD 3,208 thousand (unaudited) and the current portion amounts to USD 2,243 thousand (unaudited) (as at 31 December 2012: USD 3,534 thousand and USD 1,335 thousand, respectively). Remaining advances from customers are mainly represented by prepayments from tenants for two months of rental payments.

16. Revenue

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

	2013 (unaudited) US$'000	*2012 (unaudited) US$'000*
Rental income from investment properties	12,007	6,319
Other sales revenue	144	127
	12,151	6,446

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

	2013 (unaudited) US$'000	*2012 (unaudited) US$'000*
Advertising (note 18)	303	161
Repair, maintenance and building services (note 17)	213	102
Security services (note 18)	192	126
Communal public services (note 17)	173	95
Land rent and land taxes (note 18)	59	293
	940	777

No direct operating expenses arising from investment property that did not generate rental income during six months ended 30 June 2013 and 2012 occurred.

17. Goods, raw materials and services used

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

	2013 *(unaudited)* *US$'000*	*2012* *(unaudited)* *US$'000*
Repair, maintenance and building services	213	102
Communal public services	173	95
Rent expenses	–	44
Other costs	64	30
	450	271

18. Operating expenses

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

	2013 *(unaudited)* *US$'000*	*2012* *(unaudited)* *US$'000*
Management, consulting and legal services	6,893	1,367
Advertising	303	161
Office expenses and communication services	248	246
Provision for bad debt impairment	230	1,240
Security services	192	126
Write-off of inventories	104	–
Land rent and land taxes	59	293
Administrative expenses	29	55
Other	872	547
	8,930	4,035

19. Finance income and finance costs

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

	2013 *(unaudited)* *US$'000*	*2012* *(unaudited)* *US$'000*
Interest income	2,320	2,114
Other finance income	147	–
Finance income	2,467	2,114
Interest expense	(3,414)	(3,357)
Foreign exchange loss	–	(53)
Other finance costs	(2,348)	(419)
Finance costs	(5,762)	(3,829)
Net finance costs	(3,295)	(1,715)

20. Income tax expense

(a) *Income tax expense*

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

	2013 (unaudited) US$'000	*2012 (unaudited) US$'000*
Current tax expense	–	–
Deferred tax expense	157	3,439
Total income tax expense	157	3,439

Based on legislation enacted in December 2010, on 1 January 2011 a new tax code became effective in Ukraine. Amongst other changes the new tax code changed the corporate profit tax rates. In 2012 and 2013 the applicable corporate income tax rate is 21 per cent. and 19 per cent. , respectively, and from 2014 onwards the tax rate will be fixed at 16 per cent.

The applicable tax rate is 10 per cent. for Cyprus companies and 0 per cent. for companies incorporated in the Isle of Man.

(b) *Reconciliation of effective tax rate*

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

	2013 (unaudited) US$'000	*%*	*2012 (unaudited) US$'000*	*%*
(Loss) profit before tax	(3,357)	100%	26,727	100%
Income tax (benefit) expense at statutory rate	(638)	19%	5,613	21%
Effect of lower tax rates on taxable loss in foreign jurisdictions	(552)	16%	(891)	(3%)
Non-deductible expenses	1,372	(41%)	1,079	4%
Tax exempt income	(69)	2%	(20)	–
Utilisation of previously unrecognised temporary differences	(291)	9%	(1,567)	(6%)
Effect of the estimated change in timing of reversal of temporary differences	52	(2%)	(955)	(4%)
Current year losses for which no deferred tax asset was recognised	283	(8%)	180	1%
Effective income tax expense	157	(5%)	3,439	13%

In accordance with existing Ukrainian legislation tax losses can be carried forward and utilised indefinitely.

(c) *Deferred tax*

Deferred tax is not provided in respect of the revaluation of the land portion of investment properties as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future. The management estimates that the assets will be realised through a share deal rather than through an asset deal. Should shares be disposed of, the gains generated from the disposal will be exempted from any tax.

21. 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 the consolidated interim condensed financial information.

(b) ***Risk management framework***

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

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

(c) ***Credit risk***

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

(i) *Trade and other receivables*

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently challenging economic circumstances. There is no significant concentration of receivables from a single customer. During the six months periods ended 30 June 2013 and 2012, 100 per cent. of revenue is attributable to sales transactions with domestic customers in Ukraine.

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

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

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

(ii) *Guarantees*

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

(iii) *Exposure to credit risk*

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

In addition to the credit risk, the Group is exposed to the risk of non-recoverability of VAT receivable and prepaid expenses amounting in total to USD 10,803 thousand as at 30 June 2013 (31 December 2012: USD 10,106 thousand).

(iv) *Impairment losses*

The ageing of trade and other receivables is as follows:

	30 June 2013 Gross (unaudited) US$'000	*30 June 2013 Impairment (unaudited) US$'000*	*31 December 2012 Gross (audited) US$'000*	*31 December 2012 Impairment (audited) US$'000*
Not past due	8,733	(6,072)	9,674	(6,072)
Past due 0 – 30 days	–	–	–	–
Past due 31 – 60 days	124	–	5	–
Past due 61 – 90 days	276	–	4	–
Past due 91 – 360 days	600	(190)	13	(13)
More than one year	10,973	(10,655)	10,681	(10,655)
	20,706	(16,917)	20,377	(16,740)

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

	2013 US$'000	*2012 US$'000*
Balance at 1 January	(16,740)	(10,685)
Impairment loss recognised (unaudited) (note 18)	(230)	(1,240)
Bad debts write-off/recovery (unaudited)	53	1,240
Foreign currency translation differences (unaudited)	–	(8)
Balance at 30 June (unaudited)	(16,917)	(10,693)

(d) ***Liquidity risk***

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

The following are the contractual maturities of financial liabilities, including interest payments as at 30 June 2013 (unaudited):

		Contractual cash flows					
	Carrying amount US$'000	*Total US$'000*	*6 months or less US$'000*	*6–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Secured bank loans	62,134	77,158	1,053	12,810	16,387	38,133	8,775
Unsecured loans from third parties	36,267	38,344	346	37,998			
Unsecured loans from related parties	452	452	–	452	–	–	–
Finance lease liability	5,268	35,621	363	384	766	2,298	31,810
Trade and other payables	17,032	17,032	17,032	–	–	–	–
	121,153	168,607	18,794	51,644	17,153	40,431	40,585

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2012:

		Contractual cash flows					
	Carrying amount US$'000	*Total US$'000*	*6 months or less US$'000*	*6–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Secured bank loans	41,146	47,328	643	9,669	11,695	21,078	4,243
Unsecured loans from third parties	34,621	38,720	866	37,854	–	–	–
Unsecured loans from related parties	565	565	–	565	–	–	–
Finance lease liability	3,254	22,420	239	239	478	1,431	20,033
Trade and other payables	23,993	23,993	18,701	5,292	–	–	–
	103,579	133,026	20,449	53,619	12,173	22,509	24,276

(e) ***Market risk***

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

(i) *Currency risk*

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), but also 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 exposure to foreign currency risk is as follows based on notional amounts:

	30 June 2013		*31 December 2012*	
	USD	*EUR*	*USD*	*EUR*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash and cash equivalents	278	–	1	29
Restricted deposits	664	–	–	–
Secured bank loans	(62,134)	–	(41,146)	–
Trade and other payables	(3,329)	(462)	(4,378)	(1,852)
Net short position	(64,521)	(462)	(45,523)	(1,823)

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

	Profit or loss for six months ended 30 June 2013 (unaudited) US$'000	*Equity as at 30 June 2013 (unaudited) US$'000*	*Profit or loss for the year ended 31 December 2012 (audited) US$'000*	*Equity as at 31 December 2012 (audited) US$'000*
USD	(5,226)	(5,226)	(3,596)	(3,596)
EUR	(37)	(37)	(144)	(144)

A 10 per cent. strengthening of the Ukrainian hryvnia against the US dollar and Euro would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(ii) *Interest rate risk*

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

Refer to note 12 for information about maturity dates and effective interest rates of fixed rate and floating rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

Profile

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

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Fixed rate instruments		
Loans receivable	47,487	45,239
Loans and borrowings	(67,830)	(42,818)
Finance lease liability	(5,268)	(3,254)
	(25,611)	(833)
Variable rate instruments		
Loans and borrowings	(31,023)	(33,514)
	(31,023)	(33,514)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss for six months ended 30 June 2013 (unaudited) US$'000	*Equity as at 30 June 2013 (unaudited) US$'000*	*Profit or loss for the year ended 31 December 2012 (audited) US$'000*	*Equity as at 31 December 2012 (audited) US$'000*
Loans and borrowings	(251)	(251)	(265)	(265)
	(251)	(251)	(265)	(265)

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

(f) ***Fair values***

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

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

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

Management believes that for all the financial assets and liabilities the carrying value is estimated to approximate the fair value as at 30 June 2013 and 31 December 2012.

(g) ***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 operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, and constant monitoring of investment projects. With these measures the Group aims for steady profits growth. There were no changes in the approach to capital management during the period.

22. Commitments and contingencies

(a) ***Pledged assets***

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

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Investment property (note 5)	143,580	84,500
Call deposits (note 10)	–	17
Restricted deposits	664	–
	144,244	84,517

As at 30 June 2013, the Group has also pledged the following:

- Future rights on income of Prizma Alfa LLC under lease agreements with Auchan Hypermarket Ukraine LLC.
- Investments in the following subsidiaries: PrJSC Grandinvest, PrJSC UkrPanGroup, PrJSC Livoberezhzhyainvest.
- Property rights under the Investment agreement between the PrJSC "Livoberezhzhyinvest", PrJSC "Grandinvest" and LLC "Voyazh Krym".

In addition to the above, as at 30 June 2013 and 31 December 2012 the loan payable to ELQ Investors II is secured by the shares of O'Key Group held by a related party. At the same time, in accordance with the Deed of Unconditional Guarantee concluded between the Group and the related party on 14 July 2011, if EQL Investors II would exercise its right for the shares of O'Key Group held by the related party, the Group will be required to purchase the same quantity of shares of O'Key Group and transfer them to the related party at no cost to the latter.

(b) ***Construction commitments***

The Group entered into contracts with a related party to construct the second stage of the South Gallery project in Simferopol for USD 6,503 thousand as at 30 June 2013 (31 December 2012: USD 16,966 thousand).

(c) ***Operating leases commitments***

The Group as lessor

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

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

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Less than one year	1,661	1,842
Between one and five years	3,324	3,056
	4,985	4,898

(d) ***Litigation***

In the ordinary course of business, the Group is subject to legal actions and complaints. Management is unaware of any significant changes to actual, pending or threatened claims against the Group as compared to 31 December 2012.

(e) ***Taxation contingencies***

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be 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 information, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these consolidated financial information.

23. Related party transactions

(a) ***Control relationships***

The Group's shareholders are Retail Real Estate S.A., Dragon – Ukrainian Properties and Development plc, Weather Empire, ELQ Investors II Limited and Sigma Real Estate Limited. The Group's ultimate controlling party is Estonian individual Hillar Teder.

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

Key management remuneration

Key management compensation included in the consolidated interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2013 is represented by salary and bonuses of USD 197 thousand (unaudited) (six months ended 30 June 2012: USD 175 thousand (unaudited)).

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

Outstanding balances with entities under common control are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Long-term loans receivable	1,494	1,473
Short-term loans receivable	45,993	43,766
Trade receivables	10,617	10,617
Other receivables	9,217	8,899
Provision for impairment of other receivables from related parties	(16,870)	(16,689)
	50,451	48,066
Short-term loans and borrowings	452	565
Trade and other payables	1,198	543
Payables for construction works	12,197	15,744
Advances from customers	86	86
	13,933	16,938

None of the balances are secured.

Income earned from transactions with entities under common control for the six months ended 30 June are as follows:

	2013 (unaudited) US$'000	*2012 (unaudited) US$'000*
Interest income	2,396	2,044

(d) ***Guarantees issued***

The Group's related parties issued guarantees securing loans payable by Ukrainian subsidiaries of Arricano Real Estate PLC (PrJSC Grandinvest, PrJSC UkrPanGroup and PrJSC Livoberezhzhiainvest) to EBRD and OJSC "Bank "St. Petersburg". The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans as at 30 June 2013 of USD 31,023 thousand (31 December 2012: USD 33,514 thousand) and in relation to OJSC "Bank "St. Petersburg" as at 30 June 2013 of USD 24,967 thousand (31 December 2012: nil).

24. Subsequent events

(a) ***Share Purchase Agreement***

On 5 September 2013, the Company entered into four share purchase agreements with Vunderbuilt S.A.("Vunderbuilt") whereby, subject to certain conditions (which the Company expects to be satisfied in advance of Admission), the Company acquired the entire issued share capital of each of:

(i) Twible Holdings Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 287645 and wholly owned by Vunderbuilt, which is the sole shareholder of Comfort Market Lux Limited Liability Company registered in Ukraine and which operates and manages Krasnotkatska (Prospekt), being one of the four additional Development Properties;

(ii) Wayfield Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 277558 and wholly owned by Vunderbuilt, which is the sole shareholder of Budkhol Limited Liability Company registered in Ukraine and which operates and manages Lukianivka, being one of the four additional Development Properties;

(iii) Sapete Holding Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 287747 and wholly owned by Vunderbuilt, which is the sole shareholder of Vektor Capital Limited Liability Company registered in Ukraine and which operates and manages the Odesa Project, being one of the four additional Development Properties; and

(iv) Gelida Holding Limited, a limited liability company with shares registered in the Republic of Cyprus under registration number 287633 and wholly owned by Vunderbuilt, which is the sole shareholder of Mezokred Holding Limited Liability Company registered in Ukraine and which operates and manages Petrivka, being one of the four additional Development Properties.

Please refer to paragraph 11.2 of Part XIV ("Additional Information") for further details.

(b) ***Other***

In July 2013 the Group repaid in full the outstanding balance of loans due to Ukrsibbank using the funds received from PJSC Raiffeisen Bank Aval according to loan agreement concluded in June 2013 (refer to note 12).

In August 2013, 20 per cent. of the Company's shares held by Weather Empire were approved to be transferred to the Company's shareholder, Dragon Ukrainian Properties & Development Plc at par value. Also, in August 2013, the Company and Weather Empire agreed to prolong the maturity date of the loan to 31 December 2014 and to change interest rate to 3 per cent. per annum, however this agreement has not been legalised as at the date these consolidated interim condensed financial information were approved for issuance (refer to note 7).

In July 2013 the Group refinanced its loan due to ELQ Investors II Ltd. through related parties' borrowings (refer to note 11).

On 20 July 2013 the Shareholders of the Company approved the increase of the Company's authorised share capital to EUR 53,000 divided into 106,000,000 ordinary shares of nominal value EUR 0.0005 each (refer to note 11).

In July 2013 Shareholders approved the sale at par value and transfer of 22.58 per cent. of the Company's shares, owned by Retail Real Estate S.A, to Estonian citizens Juri Pold (11.29 per cent.) and Rauno Tedder (11.29 per cent.) (refer to note 11).

Subsequent to 30 June 2013, PrJSC UkrPanGroup, the company that operates "Sun Gallery" trade centre, repaid principal amount of loan payable to EBRD in the amount of USD 5,000 thousand (refer to note 12).

PART IX

Consolidated Financial Information on the Development Properties

Part IX of this document contains the following financial information:

- Section A – Accountant's Report from the Company's reporting accountant Baker Tilly Corporate Finance LLP on the historical financial information of the Development Properties (as set out in section B)
- Section B – Consolidated Historical Financial Information of the Development Properties for the two years ended 31 December 2012 and 2011
- Section C – Accountant's Report from the Company's reporting accountant Baker Tilly Corporate Finance LLP on the interim results of the Development Properties (as set out in section D)
- Section D – Unaudited Interim Results of the Development Properties for the six months ended 30 June 2013

Section A: Accountants' Report on the Aggregated Historical Financial Information of the Arricano Development Properties

The following is the full text of a report on the Arricano Development Properties from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Arricano Real Estate Plc.

BAKER TILLY

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The Directors
Arricano Real Estate Plc
195 Makarious III Avenue
Neocleous House
3030, Limassol
Cyprus

6 September 2013

Dear Sirs

Arricano Development Properties (the "Development Properties")

We report on the financial information set out Section B of Part IX of this document. This historical financial information has been prepared for inclusion in the Admission Document dated 6 September 2013 ("Admission Document") of Arricano Real Estate Plc (the "Company") on the basis of the accounting policies set out in notes 2 and 3 of the historical financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the historical financial information on the basis of preparation set out in notes 2 and 3 to the historical financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the historical financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the historical financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Development Properties as at the dates stated and of its profit and loss, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in notes 2 and 3 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB

Section B: Aggregated Historical Financial Information of the Development Properties
For the years ended 31 December 2011, 31 December 2012

Aggregated Statements of Comprehensive Income

	Notes	*For the year ended 31 December 2011* *US$'000*	*For the year ended 31 December 2012* *US$'000*
Revenue		–	5
Other income		6	70
Loss on revaluation of investment property	5	–	(1,089)
Operating expenses	12	(73)	(259)
Staff costs		(8)	(293)
Loss from operating activities		(75)	(1,566)
Finance income	13	1	89
Finance costs	13	(340)	(2,792)
Loss before income tax		(414)	(4,269)
Income tax expense	14	–	(9)
Loss for the year		(414)	(4,278)
Foreign currency translation differences		(10)	(1)
Total comprehensive loss for the year		(424)	(4,279)
Net loss attributable to:			
Equity holders of the parent		(410)	(4,278)
Non-controlling interests		(4)	–
Loss for the year		(414)	(4,278)
Total comprehensive income attributable to:			
Equity holders of the parent		(420)	(4,279)
Non-controlling interest		(4)	–
Total comprehensive loss for the year		(424)	(4,279)

Aggregated Balance Sheets

	Notes	*As at 31 December 2011 US$'000*	*As at 31 December 2012 US$'000*
Assets			
Non-current assets			
Investment property	5	33,887	75,851
Investment	4b	1,020	–
Long-term VAT recoverable	6	415	1,389
Other long-term receivables		3	5
Total non-current assets		35,325	77,245
Current assets			
Trade and other receivables		9	19
Loans receivable	7	–	208
Prepaid expenses		21	12
Cash and cash equivalents		60	482
Total current assets		90	721
Assets classified as held for sale	15	–	423
Total assets		35,415	78,389
Equity and Liabilities			
Equity			
Share capital	8	13	13
Share premium		651	1,019
Retained earnings		(410)	(4,688)
Other reserves		8,229	37,945
Foreign currency translation reserves		(10)	(11)
Total equity		8,473	34,278
Non-controlling interest (Equity)		(28)	–
Total equity attributable to owners of the parent		8,445	34,278
Non-current liabilities			
Long-term borrowings	9	22,467	38,752
Provisions	15d	–	253
Finance lease liability	10	1,532	2,026
Total non-current liabilities		23,999	41,031

Aggregated Balance Sheets

	Notes	*As at 31 December 2011 US$'000*	*As at 31 December 2012 US$'000*
Current liabilities			
Short-term borrowings	9	1,950	2,465
Trade and other payables	11	763	70
Current portions of finance lease liability	10	258	30
Advances from customers		–	19
Total current liabilities		2,971	2,584
Liabilities directly associated with assets classified as held for sale	15	–	496
Total liabilities		30,287	44,111
Total equity and liabilities		35,415	78,389

Aggregated Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Share capital US$'000	*Share premium US$'000*	*Retained earnings (accumulated losses) US$'000*	*Other reserves US$'000*	*Foreign currency translation reserve US$'000*	*Total US$'000*	*Non-controlling interest US$'000*	*Total US$'000*
Balance at 25 May 2011	–	–	–	–	–	–	–	–
Total comprehensive income								
Net loss for the year	–	–	(410)	–	–	(410)	(4)	(414)
Total other comprehensive (loss)	–	–	–	–	(10)	(10)	–	(10)
Total comprehensive loss for the year	–	–	(410)	–	(10)	(420)	(4)	(424)
Transactions with owners								
Contribution of share capital	13	651	–	–	–	664	–	664
Acquisition of subsidiary	–	–	–	8,229	–	8,229	(24)	8,205
Total transactions with owners	13	651	–	8,229	–	8,893	(24)	8,869
Balance at 31 December 2011	13	651	(410)	8,229	(10)	8,473	(28)	8,445
Total comprehensive income								
Net loss for the year	–	–	(4,278)	–	–	(4,278)	–	(4,278)
Total other comprehensive (loss)	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the year	–	–	(4,278)	–	(1)	(4,279)	–	(4,279)
Transactions with owners								
Contribution of share capital	–	368	–	–	–	368	–	368
Acquisition of subsidiary	–	–	–	29,744	–	29,744	–	29,744
Acquisition of non-controlling interest	–	–	–	(28)	–	(28)	28	–
Total transactions with owners	–	368	–	29,716	–	30,084	28	30,112
Balances at 31 December 2012	13	1,019	(4,688)	37,945	(11)	34,278	–	34,278

Aggregated Cash Flow Statements

	For the year ended 31 December 2011 US$'000	*For the year ended 31 December 2012 US$'000*
Operating activities		
(Loss)/profit before Tax	(414)	(4,269)
Adjustments:		
Interest expenses	341	2,375
Loss on revaluation of investment property	–	1,089
Unrealised foreign exchange loss	3	1
Finance cost	–	26
Bad debt allowance	–	73
Interest accrued on loans	–	54
Unwinding of discount	–	283
Interest on finance lease	–	50
Operating cash flows before working capital	(70)	(318)
Working capital adjustments:		
Change in prepaid expenses	8	10
Change in payables	2	(52)
Change in advances	(6)	19
Change in other receivables	(43)	(823)
Income tax paid	–	(2)
Interest paid	(23)	(128)
Total cash flow from operating activities	(132)	(1,294)
Investing activities		
Expenditure on investment property	(550)	(4,359)
Acquisition of investment property	–	(1,832)
Acquisition of subsidiary	(532)	(515)
Loans granted	–	(208)
Total cash from investing activities	(1,082)	(6,914)
Financing activities		
Proceeds from borrowings	882	10,589
Issue of shares	655	368
Repayment of finance lease liabilities	(21)	(361)
Repayment of borrowings	(252)	(1,924)
Finance lease repayments	–	(50)
Total cash from financing activities	1,264	8,622
Net movement	50	413
Cash at the beginning of period	–	60
Effects of exchange rate differences	10	9
Cash at the end of period	60	482

Notes to the Aggregated Historical Financial Information of the Development Properties

1. Background

(a) ***Organisation and operations***

Arricano Development Properties (the "Development Properties") comprise four groups, each headed by a limited liability company as follows:

Gelida Holding Limited ("Gelida") – incorporated May 2011

Wayfield Limited ("Wayfield") – incorporated November 2010

Twible Holdings Limited ("Twible") – incorporated May 2011

Sapete Holding Limited ("Sapete") – incorporated May 2011

Gelida, Wayfield, Twible and Sapete are all private limited liability companies incorporated in Cyprus and are all subject to common control.

The main activities of the Development Properties is investing in the development of new properties in Ukraine and leasing them out.

(b) ***Ukrainian business environment***

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the economy of Ukraine have further increased the level of economic uncertainty in the environment.

The aggregated historical financial information reflects the Directors' current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Development Properties. The future business environment may differ from the Directors' assessment.

2. Basis of preparation

The aggregated historical financial information comprises the aggregated financial position and results of the Development Properties. The Development Properties have been aggregated as they are all subject to common control. The Directors have concluded that it is appropriate for the historical financial information to be prepared on a going concern basis.

(a) ***Statement of compliance***

This aggregated historical financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

(b) ***Basis of measurement***

The aggregated historical financial information has been prepared under the historical cost basis except for investment property, which is carried at fair value.

(c) ***Judgments and estimates***

Preparation of aggregated historical financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense and 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 aggregated historical financial information are included in note 5 – valuation of investment property.

(d) ***Functional and presentation currency***

The functional currency of Gelida, Wayfield, Twible and Sapete is the US Dollar (USD). The functional currency of the subsidiaries is the Ukrainian Hryvnia (UAH).

The presentational currency for the consolidated historical financial information is USD, rounded to the nearest thousand.

In translating the aggregated historical financial information into USD the Development Properties follow a translation policy in accordance with International Financial Reporting Standard 21, "*The Effects of Changes in Foreign Exchange Rates*" and the following procedures are performed:

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

The relevant exchange rates, provided by the National Bank of Ukraine, used in translating the aggregated historical financial information of the Group into US dollars were:

Year-end 2012 exchange rate: USD 1 = UAH 7.993 (2011: 7.9898)

Average 2012 exchange rate: USD 1 = UAH 7.991 (2011: 7.9676)

As there were no significant fluctuations of the USD/Hryvnia exchange rates during the year ended 31 December 2011 and 2012, for practical reasons, the average exchange rate for the period has been applied for translation of the statement of comprehensive income.

3. Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in the aggregated historical financial information, and have been applied consistently by the Development Properties' entities.

(a) ***Basis of consolidation***

(i) *Business combinations*

Business combinations, except in relation to entities under common control, are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Development Properties. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Development Properties take into consideration potential voting rights that currently are exercisable.

The Development Properties measure 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 acquire; less

- The net recognised amount 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 Development Properties incur in connection with a business combination are expensed as incurred.

Non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) *Subsidiaries*

The historical financial information of subsidiaries is included 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 Development Properties. 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.

As at 31 December 2012 and 2011 the Development Properties include the following subsidiaries:

		Cost		*% of ownership*	
Name	*Country of incorporation US$'000*	*2012 US$'000*	*2011 US$'000*	*2012*	*2011*
LLC Mezocred Holding	Ukraine	186	186	100.00%	100.00%
LLC Budkhol	Ukraine	1,020	–	100.00%	–
LLC Comfort Market Luks	Ukraine	5	5	100.00%	99.00%
LLC Vector Capital	Ukraine	5	–	100.00%	–

On 1 November 2011 Gelida acquired 100 per cent. of the share capital in LLC Mezocred Holding a company under common control (note 4). LLC Mezocred Holding is a limited liability company that was incorporated in Ukraine.

On 1 June 2012 Wayfield acquired 100 per cent. of the share capital of LLC Budkhol from third parties (note 4). LLC Budkhol is a limited liability company that was incorporated in Ukraine.

On 3 November 2011 Twible acquired 99 per cent. of shares in LLC Comfort Market Luks, a company under common control (note 4). On 20 June 2012 the non-controlling interests of 1 per cent. were acquired. LLC Comfort Market Luks is a limited liability company that was incorporated in Ukraine.

On 20 June 2012 Sapete acquired 100 per cent. of the share capital of LLC Vector Capital, a company under common control (note 4). LLC Vector Capital is a limited liability company that was incorporated in Ukraine.

(iii) *Transactions with entities under common control*

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under control of the shareholder that controls the Development Properties are accounted for using book value accounting, with the exception of Investment Property which is valued at fair value on acquisition in accordance with the Development Properties policy for investment property. Any result from the acquisition is recognised directly in equity.

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

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the 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 arising on retranslation are recognised in profit or loss.

(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 translation 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 Development Properties 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 Development Properties 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 translation reserve in equity.

(c) ***Financial instruments***

(i) *Non-derivative financial assets*

Non-derivative financial assets comprise other long-term receivables, trade and other receivables, loans receivables and cash and cash equivalents.

The Development Properties initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Development Properties becomes a party to the contractual provisions of the instrument.

The Development Properties derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Development Properties is recognised as a separate asset or liability.

The Development Properties classify non-derivative financial assets into the loans and receivables category.

Loans and receivables
Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

(ii) *Non-derivative financial liabilities*

The Development Properties initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Development Properties becomes a party to the contractual provisions of the instrument.

The Development Properties derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Development Properties classify non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, finance lease liabilities and trade and other payables.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Development Properties has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) *Capital and reserves*

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

Retained earnings
Retained earnings include accumulated profits and losses incurred by the Development Properties.

Other reserves
Other reserves comprise the effect of acquisition of subsidiaries under common control.

Foreign currency translation reserve
Foreign currency translation differences comprise all foreign currency differences arising from the translation of the historical financial information of foreign operations.

(d) ***Investment properties***

Investment properties are those that are held either to earn future 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 future rental income earning or future redevelopment.

Leasehold of land under operating lease is classified and accounted for as an investment property when the definition of investment property is met. Under investment property accounting, the right to use the land is measured at fair value and the obligation to pay rentals is accounted for as a finance lease.

(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 capitalized borrowing costs.

If the Development Properties use 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 an investment property. If the portions cannot be sold or leased out separately, the property is an investment property only if the Group-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 Development Properties begin 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 Development Properties' 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. The fair value is the amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The valuation is prepared in accordance with International Valuation Standards published by the International Valuations Standards Committee.

(iii) *Property under development (construction)*

Property that is being constructed or developed for future use as an investment property is accounted for as property under development (construction) and is stated at cost until construction or development is complete. During the construction phase only the building is accounted as property under development construction. The land is classified as an investment property throughout the construction phase and accounted for at fair value. Upon completing of construction and bringing the building into a condition in which it is ready for operation and when it is put into operation, the item is reclassified and subsequently accounted for as an investment property.

(e) ***Leased assets***

Leases in terms of which the Development Properties assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the statement of financial position.

(f) ***Impairment***

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables

The Development Properties consider evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) *Non-financial assets*

The carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets 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 at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that largely are independent from other assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit 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.

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 amortization, if no impairment loss had been recognised.

(g) ***Provisions***

A provision is recognised if, as a result of a past event, the Development Properties have 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.

(h) ***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.

(i) *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Development Properties determine whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of the arrangement, the Development Properties separate payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Development Properties conclude for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Development Properties' incremental borrowing rate.

(j) ***Finance income and costs***

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and foreign exchange loss. 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.

Foreign currency gains and losses arising on loans receivable and borrowings are reported on a net basis as either finance income or finance cost. Foreign currency gains and losses arising on accounts receivable and payable are recognised within other operating activities.

(k) ***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 Development Properties expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Development Properties take into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Development Properties believe 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 Development Properties 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. 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.

(l) ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing the aggregated historical financial information. Management plans to adopt these pronouncements when they become effective, and has not yet analysed the likely impact of these new standards on its aggregated financial statements.

- IAS 28 (2011) *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after 1 January 2013 with retrospective application required. Early adoption of IAS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's aggregated historical financial information. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.

- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 11 *Joint Arrangements* will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, in which case these arrangements are treated similarly to jointly controlled assets/operations under IAS 31s, or as joint ventures, for which the equity method only is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity 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 entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4. Business combinations and acquisition of non-controlling interest

(a) *Acquisition of LLC Mezocred*

On 1 November 2011 Gelida Holding Limited acquired 100 per cent. of share capital in LLC Mezokred Holding, a company under common control.

LLC Mezokred Holding conducts its operations in Ukraine. Its core activity is development of investment property to be subsequently leased out.

The book values (with the exception of investment property at fair value) of the identifiable assets and liabilities of LLC Mezokred Holding as at acquisition date were as following:

	Value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	11,014
Long-term VAT recoverable	42
Prepaid expenses	17
Cash and cash equivalents	2
Total Assets	11,075
Liabilities	
Long-term borrowings	1,120
Finance lease liabilities – non-current	589
Short-term borrowings	10
Trade and other payables	7
Finance lease liabilities – current	247
Total liabilities	1,973
Total identifiable net assets at book value	9,102
Excess of net assets acquired over consideration paid	(8,916)
Purchase consideration	186
Cash acquired	2
Net cash outflow (cash acquired less consideration paid)	184

LLC Mezokred was acquired from LLC Panorama Group and LLC Media Alliance (the entities under common control), and as a result the excess of assets and liabilities acquired over consideration paid is recognised directly in equity.

The purchase consideration USD 186 thousand consisted only of cash. As of 31 December 2011 purchase consideration was not paid. For the year ended 31 December 2011 cash acquired subsidiary in amount of USD 2 thousand was presented in Aggregated Statement of Cash Flow in investing activities.

From the date of acquisition the net profit/loss incurred by acquired company was not significant.

(b) ***Acquisition of LLC Budkhol***

On 13 July 2011 Wayfield entered into a sale and purchase agreement with the former owners on LLC Budkhol for purchase of 100 per cent. of share capital of LLC Budkhol. The controlling company of Wayfield has conducted the Agreement with former owners of LLC Budkhol, which contained provisions regarding setting of some significant obligations existing at purchase date. Thus, the former owners were running the operations of LLC Budkhol until their obligations stated in the Agreement were either executed, or reviewed by conducting additional agreement.

Thus, the control over operations of LLC Budkhol has passed to Wayfield as at 1 June 2012.

LLC Budkhol conducts its operations in Ukraine. Its core activity is development of investment property with subsequent lease out.

The fair values of the identifiable assets and liabilities of LLC Budkhol as at acquisition date were as following:

	Fair value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	27,807
Non-current VAT receivable	151
Other non-current assets	1
Trade and other receivables	3
Other current assets	6
Assets held-for-sale	423
Total Assets	28,391
Liabilities	
Long-term borrowings	5,037
Finance lease liability	495
Tax provision	253
Short-term borrowings	90
Trade and other payables	148
Current portion of finance lease liability	7
Liabilities directly associated with the assets classified as held-for-sale	496
Total liabilities	6,526
Total identifiable net assets	21,865
Excess of net assets acquired over consideration paid	(20,845)
Purchase consideration	1,020
Cash acquired	–
Net cash outflow	1,020

As at 31 December 2011 equity investment represents the investment in 100 per cent. of share capital in LLC Budkhol in amount of USD 1,020 thousand.

The excess of net assets acquired over consideration paid is recognised directly in equity as this arose as a result of LLC Budkhols significant obligations being settled by a company under common control.

The purchase consideration USD 1,020 thousand consisted only of cash. As of 31 December 2011 purchase consideration was not paid in full. As at 31 December 2011 trade and other payables include payables to third parties for 100 per cent. of share capital in LLC Budkhol in amount of USD 371 thousand.

From the acquisition date the revenue and net profit (loss) generated by the subsidiary were insignificant.

(c) ***Acquisition of LLC Comfort Market Luks***

On 3 November 2011 Twible Holding Limited acquired 99 per cent. of shares in LLC Comfort Market Luks from a company under common control.

LLC Comfort Market Luks conducts its operations in Ukraine. Its core activity is development of investment property to be subsequently leased out.

The book values (with the exception of investment property at fair value) of the identifiable assets and liabilities of LLC Comfort Market Luks as at acquisition date were as following:

	Value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	22,379
Long-term VAT recoverable	330
Other non-current assets	2
Prepaid expenses	11
Cash and cash equivalents	115
Total Assets	22,837
Liabilities	
Long-term borrowings	20,312
Long-term finance lease liability	945
Short-term borrowings	2,056
Current portion of finance lease liability	11
Trade and other payables	210
Advances from customers	6
Total liabilities	23,540
Total identifiable net liabilities	(703)
Excess of net liabilities acquired over consideration paid attributable to owners of the Parent	701
Proportionate share of net liabilities attributable to non-controlling interests	7
Purchase consideration	5
Cash acquired	115
Net cash inflow (cash acquired less consideration paid)	110

LLC Comfort Market Luks was acquired from LLC Panorama Group (an entity under common control), and as a result the excess of net assets and liabilities acquired over consideration paid is recognised directly in equity.

The purchase consideration USD 5 thousand consisted only of cash. As of 31 December 2011 purchase consideration was not paid. For the year ended 31 December 2011 cash acquired subsidiary in amount of USD 115 thousand was presented in Aggregated Statement of Cash Flow in investing activities.

From the acquisition date the revenue and net profit (loss) generated by the subsidiary were insignificant.

On 20 June 2012 the related party which owned 1 per cent. of shares in LLC Comfort Market Luks transmitted its shares to Twible Holding Limited without consideration. Non-controlling interests acquired were transferred in amount of USD 28 thousand to other reserves in the aggregated statement of changes in equity.

(d) ***Acquisition of LLC Vector Capital***

On 20 June 2012 Sapete Holding Limited acquired 100 per cent. of share capital in LLC Vector Capital in transactions between related parties under common control.

LLC Vector Capital conducts its operations in Ukraine. Its core activity is development of investment property to be subsequently leased out.

The book values (with the exception of investment property at fair value) of the identifiable assets and liabilities of LLC Vector Capital as at acquisition date were as following:

	Value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	9,400
Long-term VAT recoverable	71
Trade and other receivables	3
Cash and cash equivalents	52
Total Assets	9,526
Liabilities	
Long-term borrowings	523
Trade and other payables	102
Total liabilities	625
Total identifiable net assets at book value	8,901
Excess of net assets acquired over consideration paid	(8,896)
Purchase consideration	(5)
Cash acquired	52
Net cash inflow	47

LLC Vector Capital was acquired from LLC Panorama Group (an entity under common control), and as a result the excess of net assets and liabilities acquired over consideration paid is recognised directly in equity.

The purchase consideration USD 5 thousand consisted only of cash and was fully paid as of 31 December 2012. For the year ended 31 December 2012 cash acquired with the Subsidiary in amount of USD 52 thousand net of purchase consideration paid was presented in investing activities of the Aggregated Statement of Cash Flow.

From the acquisition date the revenue and net profit (loss) generated by the subsidiary were insignificant.

5. Investment property

Movements in investment property for the year ended 31 December 2012 are as follows:

	Land held on lease	*Prepayments for investment property*	*Property under construction*	*Total*
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31 December 2011	30,643	303	2,941	33,887
Acquisition of subsidiary	36,195	18	994	37,207
Additions	–	1,005	4,858	5,863
Transfers	–	(321)	321	–
Fair value loss on revaluation	(1,089)	–	–	(1,089)
Currency translation difference	(14)	–	(3)	(17)
At 31 December 2012	65,735	1,005	9,111	75,851

Movements in investment property for the seven months ended 31 December 2011 are as follows:

	Land held on lease	*Prepayments for investment property*	*Property under construction*	*Total*
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 25 May 2011	–	–	–	–
Acquisition of subsidiary	30,675	340	2,378	33,393
Additions	–	–	532	532
Transfers	–	(36)	36	–
Currency translation difference	(32)	(1)	(5)	(38)
At 31 December 2011	30,643	303	2,941	33,887

Property under construction is stated at cost until construction or development is complete as described in note 3d (iii). Management cannot determine the fair value of property under construction reliably, because at the construction stage the fair value estimate of such property involves significant management judgment that may significantly differ from actual circumstances.

To assist with the estimation of the fair value of the Development Properties' investment property as at 31 December 2012 and 2011, management engaged registered independent appraiser Expandia LLC (formerly CB Richard Ellis LLC), having a recognised professional qualification and recent experience in the location and categories of the projects being valued. The estimation of the fair value at that date is made using a net present value calculation based on certain assumptions.

The Company's valuation model used to assess the fair value of investment property as at 31 December 2012 is particularly sensitive in the following areas:

- if rental rates are 1 per cent. less than those used in the valuation model, the fair value of investment property would be USD 4,100 thousand lower. If rental rates are 1 per cent. higher, then the fair value of investment property would be USD 4,100 thousand higher;
- if the reversion yield applied is 1 per cent. higher than that used in the valuation model, the fair value of investment property would be USD 17,600 thousand lower. At the same date, if the reversion yield is 1 per cent. less, then the fair value of investment property would be USD 20,500 thousand higher.

6. VAT recoverable

The Development Properties accumulate VAT recoverable during the construction of trade centre. Management expects that long-term VAT recoverable will begin to be recovered following the commencement of operations at each of the trade centres.

7. Loans receivable

Loans receivable represent amounts receivable from related parties Grandinvest CJSC (USD 42 thousand) and Dniprovska Prystan (USD 166 thousand). For information on related party transactions, refer to note 18c.

8. Share capital

Share capital has been aggregated on the face of the balance sheet for presentational purposes, but is disclosed below separately for each of the four entities within the Development Properties Group:

(a) ***Gelida***

	31 December 2011	*31 December 2012*
Authorised:		
Number of shares	2,000	2,000
	US$'000	*US$'000*
Share capital	3	3

As at 31 December 2012 and 2011, the authorised and issued share capital of Gelida comprises 2,000 ordinary shares with a par value of EUR 1 each (equivalent of USD 1.425 at the date of issuance).

As at 31 December 2012 and 2011, the authorised and issued capital was unpaid.

All shares are ordinary, have equal voting, dividend and repayment rights on liquidation. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of Gelida.

(b) ***Wayfield***

	No of authorised shares	*No of issued shares*	*Share capital US$'000*	*Share premium US$'000*	*Total US$'000*
As at 1 January 2011	10,000	2,000	3	–	4
Conversion from EUR to USD(1)	14,385	2,877	3	–	3
Share issue(2)	–	1,000	1	1,019	1,020
As at 31 December 2011	14,385	3,877	4	1,019	1,023
As at 31 December 2012	14,385	3,877	4	1,019	1,023

Notes:

On 25 November 2010 (date of incorporation) Wayfield issued 2,000 shares with a par value of EUR 1 each and the authorised share capital of the Company was 10,000 ordinary shares with a par value of EUR 1 per share. As at 1 January, the entire issued share capital was unpaid.

(1) On 31 May 2011, the shareholder of Wayfield took the decision to convert the capital of the Company into US Dollars as follows:

- The authorised share capital of Wayfield be converted into USD 14,385 divided into 14,385 ordinary shares of USD 1 each.
- The issued share capital of Wayfield be converted into USD 2,877 divided into 2,877 ordinary shares of USD 1 each.

(2) On 1 June 2011 Wayfield issued 1,000 new shares at a premium of USD 1,019 per share to its shareholder. Cash consideration for these shares was paid in 2011 (USD 655k) and 2012 (USD 368K).

All shares are ordinary, have equal voting, dividend and capital repayment rights. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Wayfield.

As at 31 December 2012 all issued shares are fully paid.

(c) ***Twible***

	31 December 2011	31 December 2012
Authorised:		
Number of shares	2,000	2,000
	US$'000	*US$'000*
Share capital	3	3

As at 31 December 2012 and 2011, the authorised and issued share capital of Twible comprises 2,000 ordinary shares with a par value of EUR 1 each (equivalent of USD 1.425 at the date of issuance).

As at 31 December 2012 and 2011, the authorised and issued capital was unpaid.

All shares are ordinary, have equal voting, dividend and repayment rights on liquidation. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of Twible.

(d) ***Sapete***

	31 December 2011	31 December 2012
Authorised:		
Number of shares	2,000	2,000
	US$'000	*US$'000*
Share capital	3	3

As at 31 December 2012 and 2011, the authorised and issued share capital of Sapete comprises 2,000 ordinary shares with a par value of EUR 1 each (equivalent of USD 1.425 at the date of issuance).

As at 31 December 2012 and 2011, the authorised and issued capital was unpaid.

All shares are ordinary, have equal voting, dividend and repayment rights on liquidation. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of Sapete.

9. Loans and borrowings

This note provides information about the contractual terms of the Development Properties' loans and borrowings, which are measured at amortised cost.

	31 December 2011 US$'000	31 December 2012 US$'000
Non-current		
Unsecured loans from related parties	22,467	38,752
Current		
Secured bank loans	1,026	–
Unsecured loans from related parties	924	2,465
	1,950	2,465
	24,417	41,217

The breakdown of loans and borrowings as at 31 December 2011 and 2012 are as follows:

	31 December 2011 US$'000	*31 December 2012 US$'000*
Non-current (all related parties)		
Filgate	22,448	32,660
Vunderbuilt S.A	–	765
Retail Real Estate	–	5,327
Other related parties	19	–
	22,467	38,752
Current		
BM Bank	1,026	–
Filgate (related party)	899	2,465
Other related parties	25	–
	1,950	2,465
	24,417	41,217

The movement in loans and borrowings during the year ended 31 December 2012 was as follows:

	Currency	*Nominal interest rate*	*Contractual year of maturity*	*Carrying value US$'000*
Balance at 31 December 2011				24,417
Acquisition of subsidiary				
Retail Real Estate S.A.	USD	0.10%	2021	5,037
Filgate Credit Enterprises Limited	USD	9.80%	2013	90
Filgate Credit Enterprises Limited	USD	10.00%	2014	523
Receipts				
Filgate Credit Enterprises Limited	USD	10.00%	2014	7,567
Filgate Credit Enterprises Limited	USD	9.80%	2013	2,278
Filgate Credit Enterprises Limited	USD	10.00%	2015	528
Vunderbuilt S.A.	USD	3.20%	2017	192
Loans from other related parties	USD	0.00%	2013	24
Repayments				
BM Bank	USD	12.50%	2012	(1,058)
Loans from other related parties	UAH	0.00%	2012	(898)
Unwinding of discount – Retail Real Estate S.A.				283
Accrued interest				2,234
Balance at 31 December 2012				41,217

As at 31 December 2011 the Development Properties had secured a bank loan from BM Bank. The loan was secured with guarantees from related parties. During the year ended 31 December 2012 the loan from BM Bank was fully repaid.

10. Finance lease liability

Reconciliation between future minimum lease payments at the end of the reporting period and their present value is presented as follows:

	2012			2011		
	Future minimum lease payments US$'000	*Interest US$'000*	*Present value of minimum lease payments US$'000*	*Future minimum lease payments US$'000*	*Interest US$'000*	*Present value of minimum lease payments US$'000*
Less than six months	173	143	30	258	114	144
Between six and twelve months	145	145	–	220	106	114
Between one and two years	290	290	–	205	205	–
Between two and five years	1,072	1,067	5	817	813	4
More than five years	11,103	9,082	2,021	8,173	6,645	1,528
	12,783	10,727	2,056	9,673	7,883	1,790

Future minimum lease payments as at 31 December 2012 are based on management's assessment based on actual lease payments effective as at 31 December 2012. The future lease payments are subject to review and approval by the municipal authorities and may differ from management's assessment.

The contractual maturity of current land lease agreements range from 2014 to 2029. The Group intends to prolong these lease agreements for the period of usage of the investment property being constructed on the leased land. Consequently, the minimum lease payments are calculated for a period of 50 years.

11. Trade and other payables

Trade and other payables are as follows:

	31 December 2011 US$'000	*31 December 2012 US$'000*
Payables for construction works	187	–
Payables for the shares of LLC Comfort Market Luks (notes 4 and 17c)	5	–
Payables for the shares of LLC Mezokred (notes 4 and 17c)	186	–
Payables for the shares of LLC Budkhol (notes 4 and 17c)	371	–
Trade and other payables to related parties (note 17c)	14	70
	763	70

12. Operating expenses

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

	2011 US$'000	*2012 US$'000*
Management, consulting and legal services	23	108
Other costs	43	143
Office expenses and communication services	7	8
	73	259

13. Finance income and finance costs

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

	2011 *US$'000*	*2012* *US$'000*
Foreign exchange gain	1	89
Finance income	1	89
Interest expense	(301)	(2,234)
Unwinding of discount on loan	–	(283)
Interest on finance lease	(21)	(271)
Foreign exchange loss	(18)	(4)
Finance costs	(340)	(2,792)
Net finance costs	(339)	(2,703)

14. Income tax expense

(a) ***Income tax expense***

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

	2011 *US$'000*	*2012* *US$'000*
Current tax expense	–	(9)
Total income tax expense	–	(9)

Based on legislation enacted in December 2010, on 1 January 2011 a new tax code became effective in Ukraine. Among other changes the new tax code changed the corporate profit tax rates. For the three month period ended 31 March 2011, a corporate income tax rate of 25 per cent. is applied. A reduced rate of 23 per cent. is applied from 1 April 2011 to 31 December 2011, 21 per cent. is applied for 2012, 19 per cent. for 2013, and from 2014 onwards the tax rate will be fixed at 16 per cent.

(b) ***Deferred tax***

Deferred tax is not provided in respect of the revaluation of the land portion of investment properties as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future. The management estimates that the assets will be realised through a share deal rather than through an asset deal. Should shares be disposed of, the gains generated from the disposal will be exempted from any tax.

15. Assets classified as held for sale

LLC Budkhol (Wayfield) has concluded an agreement with a third party to sell a building at Vasilkovska st., Kyiv.

The assets classified as held for sale and related liabilities are presented below:

	31 December 2011 *US$'000*	*31 December 2012* *US$'000*
Buildings	–	423
Assets classified as held for sale	–	423
Prepayment received	–	496
Liabilities directly associated with the assets classified as held for sale	–	496

16. Financial risk management

(a) ***Overview***

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Development Properties' exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this aggregated historical financial information.

(b) ***Risk management framework***

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

The Development Properties' 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 Development Properties' activities.

(c) ***Credit risk***

Credit risk is the risk of financial loss to the Development Properties if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Development Properties' receivables from customers, loans receivable and cash and cash equivalents.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

	31 December 2011 US$'000	*31 December 2012 US$'000*
Investments	1,020	–
Trade and other receivables	–	4
Loans receivable	–	208
Cash and cash equivalents	60	482
	60	694

In addition to the credit risk, the Development Properties are exposed to the risk of non-recoverability of prepayments for investment property, VAT receivable and prepaid expenses amounting in total to USD 1,871 thousand as at 31 December 2012 (31 December 2011: USD 678 thousand).

(d) ***Liquidity risk***

Liquidity risk is the risk that the Development Properties will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The 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 reputation.

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2012:

		Contractual cash flows					
	Carrying amount US$'000	*Total US$'000*	*2 months or less US$'000*	*2–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Loans and borrowings	41,217	53,541	32	2,665	36,480	2,396	11,968
Finance lease liabilities	2,056	12,783	76	242	290	1,072	11,103
Trade and other payables	70	70	54	16	–	–	–
	43,343	66,394	162	2,923	36,770	3,468	23,071

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2011:

		Contractual cash flows					
	Carrying amount US$'000	*Total US$'000*	*2 months or less US$'000*	*2–12 months US$'000*	*1–2 years US$'000*	*2–5 years US$'000*	*More than 5 years US$'000*
Loans and borrowings	24,417	29,790	1,028	954	–	27,808	–
Finance lease liabilities	1,790	9,673	98	380	205	817	8,173
Trade and other payables	763	763	198	565	–	–	–
	26,970	40,226	1,324	1,899	205	28,625	8,173

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(e) ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Development Properties' 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*

The Development Properties are exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the Ukrainian Hryvnia (UAH), primarily the U.S. Dollar (USD).

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 company, primarily executed in UAH. However, most of the Development Properties' borrowings are due to a related party and management believes that the Development Properties will not be required to repay either principal or interest related to these loans at least until 31 December 2014 and thereafter for the foreseeable future.

Exposure to currency risk

The Development Properties' exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2012 US$'000	*31 December 2011 US$'000*
Outstanding balances denominated in USD:		
Cash and cash equivalents	464	46
Loans and borrowings	(33,472)	(23,509)
Trade and other payables	(14)	(564)
Net short position	(33,022)	(24,027)

Sensitivity analysis

A 10 per cent. weakening of the Ukrainian Hryvnia against the U.S. dollar would have decreased net profit and equity or would have increased net loss and deficit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss for the year ended 31 December 2012 US$'000	*Equity as at 31 December 2012 US$'000*	*Loss for the year ended 31 December 2011 US$'000*	*Equity as at 31 December 2011 US$'000*
USD	(3,290)	(3,290)	(2,402)	(2,402)

A 10 per cent. strengthening of the Ukrainian Hryvnia against the U.S. dollar 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 Development Properties' exposure should be to fixed or variable rates. However, at the time of obtaining new financing management uses its judgment to decide whether a fixed or variable rate would be more favourable over the expected period until maturity.

The interest rate profile of the interest-bearing financial instruments was:

	31 December 2012 US$'000	*31 December 2011 US$'000*
Fixed rate instruments	–	–
Loans and borrowings	23,493	41,167
	23,493	41,167

(f) ***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.

Management believes that as at 31 December 2012 and 2011 the fair values of all financial assets and liabilities are estimated to approximate their carrying values due to their short-term nature and/or market interest rates at period end.

(g) ***Capital management***

The Development Properties have no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Development Properties' operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, and constant monitoring of the investment projects. There were no changes in the approach to capital management during the period ended 31 December 2011 or 31 December 2012.

17. Commitments and contingencies

(a) *Construction commitments*

As at 31 December 2012 the Development Properties entered into contracts with the related parties to construct the "PROSPECT" project in Kyiv for USD 40,871 thousand (2011: USD 43,397 thousand).

Commitments under concluded agreements held with third parties total USD 704 thousand (2011: nil).

(b) *Taxation contingencies*

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

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

(c) *Insurance*

The Development Properties do not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on their property or relating to their operations. Until the Development Properties obtain adequate insurance coverage, there is a risk that such events could have a material adverse effect on the Development Properties' operations and financial position.

(d) *Litigations*

As at 31 December 2012 the Development Properties recognised a litigation provision of USD 253 thousand. Due to the nature of the litigation there is no charge expected to be incurred in the 12 months following 31 December 2012.

In the ordinary course of business, the Development Properties are subject to legal actions and complaints. Management does not believe the result of any such actions will have a material effect on the Development Properties' financial position or result of operations.

18. Related party transactions

(a) *Control relationships*

The Development Properties' immediate and ultimate parent company is Vunderbuilt S.A., which owns 100 per cent. of shares the Arricano Development Properties. The ultimate controlling party is Estonian individual Hillar Teder. No publicly available financial statements are produced by the Development Properties' parent company or the ultimate controlling party.

(b) *Transactions with key management personnel*

Key management remuneration

Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Development Properties.

For the year ended 31 December 2012 the key management and their close family members received the remuneration which is included in staff cost in amount of USD 22 thousand (2011: nil).

(c) ***Transactions and balances with other related parties***

Outstanding balances with entities under common control are as follows:

	31 December 2011 US$'000	*31 December 2012 US$'000*
Loans receivable	–	208
Trade and other receivables	–	4
	–	212
Long-term borrowings	22,467	38,752
Short-term borrowings	924	2,465
Trade and other payables	576	70
	23,967	41,287

None of the balances are secured.

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

	2011 US$'000	*2012 US$'000*
Other incomes	–	51
Operating expenses	(4)	(10)
Finance costs	(277)	(2,485)
Prepayments for investment property	(154)	(697)
Investment	(1,020)	–
	(1,455)	(3,141)

19. Subsequent events

In April 2013, LLC Comfort Market Lux entered into an investment agreement with Real Estate F.C.A.U. LLC, an SPV of retail operator, Auchan, in which it undertook to construct and operate a hypermarket within the project. The aggregate investment commitment from Real Estate F.C.A.U. LLC is UAH 200 million of which, approximately one fifth was paid in May 2013 and the remainder is due to be paid by September 2014. Twible Holdings Limited has guaranteed LLC Comfort Market Lux's obligations to repay the Real Estate F.C.A.U. LLC investment under certain circumstances. (Please see paragraph 11.4 of Part XIV.)

SECTION C: INDEPENDENT LIMITED ASSURANCE REPORT ON THE UNAUDITED HISTORICAL INTERIM FINANCIAL INFORMATION

The following is the full text of a report on Arricano Development Properties from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Arricano Real Estate Plc.

BAKER TILLY

25 Farringdon Street
London EC4A 4AB
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The Directors
Arricano Real Estate Plc
195 Makarious III Avenue
Neocleous House
3030, Limassol
Cyprus

6 September 2013

Dear Sirs,

Independent Review Report
Arricano Development Properties ("the Development Properties")

Introduction

We have been engaged by Arricano Real Estate Plc (the "Company") to review the unaudited consolidated interim financial information Development Properties for the six month period ended 30 June 2013 ("Development Properties Interim Financial Information") as set out in Part IX Section D of the Admission Document dated 6 September 2013 ("Admission Document"). We have read the other information contained in the Admission Document and considered whether it contains any apparent misstatements or material inconsistencies with the Interim Financial Information.

This report is made solely to the Company in accordance with the requirements of International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council in the United Kingdom ("ISRE 2410"), as if it applied to the Company's auditor and for no other purpose. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the opinions we have formed or consenting to its inclusion in the Admission Document.

Responsibilities

The Development Properties Interim Financial Information is the responsibility of, and have been approved by, the directors of the Company ("the Directors"). The Directors are responsible for preparing the Interim Financial Information in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union and by applying the accounting policies and presentation consistent with those that will be adopted in the Company's next annual financial statements and the requirements of paragraph 20.6 of Annex I of Appendix 3.1.1 of the Prospectus Rules as is applied by part (a) of Schedule Two to the AIM Rules.

Our responsibility is to express to the Company a conclusion on the Interim Financial Information, for the purposes of the Admission Document, based on our review.

Scope of review

We conducted our review in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom and ISRE 2410 as if it applied to the Company's auditor. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Development Properties Interim Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that, for the purposes of the Admission Document, the Development Properties Interim Financial Information has not been prepared, in all material respects, with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

SECTION D: Aggregated Unaudited Interim Financial Information of the Development Properties For the six months ended 30 June 2013

Unaudited Aggregated Statements of Comprehensive Income

	Notes	*Six months ended 30 June 2013 (unaudited) US$'000*	*Six months ended 30 June 2012 (unaudited) US$'000*
Revenue		11	–
Other income		89	–
Gain on revaluation of investment property	5	1,038	1,562
Operating expenses	13	(289)	(89)
Staff costs		(332)	(44)
Depreciation and amortisation		(4)	–
Profit from operating activities		513	1,429
Finance income	14	61	8
Finance costs	14	(669)	(1,119)
(Loss) profit before income tax		(95)	318
Income tax (expense)	15	(2)	(2)
(Loss) profit for the period		(97)	316
Foreign currency translation differences		2	–
Total comprehensive income for the period		2	–
Net profit/(loss) attributable to:			
Equity holders of the parent		(97)	316
Non-controlling interests		–	
Loss profit for the period		(97)	316
Total comprehensive (loss)/profit attributable to:			
Equity holders of the parent		(95)	316
Non-controlling interest		–	–
Total comprehensive (loss)/profit for the year		(95)	316

Unaudited Aggregated Balance Sheets

	Notes	30 June 2013 (unaudited) US$'000	31 December 2012 (audited) US$'000
Assets			
Non-current assets			
Investment property	5	81,863	75,851
Long-term VAT recoverable	6	1,857	1,389
Other non-current assets		7	5
Total non-current assets		83,727	77,245
Current assets			
Property developed for sale	7	5,410	–
Trade and other receivables		1,281	19
Loans receivable	8	–	208
Prepaid expenses		47	12
Cash and cash equivalents		1,263	482
Total current assets		8,001	721
Assets classified as held for sale	16	423	423
Total assets		92,151	78,389
Equity and Liabilities			
Equity			
Share capital	9	13	13
Share premium		1,019	1,019
Retained earnings		(4,782)	(4,685)
Other reserves		37,942	37,942
Foreign currency translation reserves		(9)	(11)
Total equity		34,183	34,278
Non-controlling interest (Equity)		–	–
Total equity attributable to owners of the parent		34,183	34,278
Non-current liabilities			
Long-term borrowings	10	46,604	38,752
Provisions		253	253
Finance lease liability	11	1,798	2,026
Total non-current liabilities		48,655	41,031
Current liabilities			
Short-term borrowings	10	2,579	2,465
Trade and other payables	12	297	70
Current portions of finance lease liability	11	26	30
Advances from customers		5,915	19
Total current liabilities		8,817	2,584
Liabilities directly associated with assets classified as held for sale	16	496	496
Total liabilities		57,968	44,111
Total equity and liabilities		92,151	78,389

Unaudited Aggregated Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Share capital US$'000	*Share premium US$'000*	*Retained earnings (accumulated losses) US$'000*	*Other reserves US$'000*	*Foreign currency translation reserve US$'000*	*Total US$'000*	*Non-controlling interest US$'000*	*Total US$'000*
Balance at 31 December 2011	13	651	(410)	8,229	(10)	8,473	(28)	8,445
Total comprehensive income								
Net gain/(loss) for the period	–	–	316	–	–	316	–	316
Total other comprehensive gain/(loss)	–	–	–	–	–	–	–	–
Total comprehensive (loss) for the period	–	–	316	–	–	316	–	316
Transactions with owners								
Contribution of share premium	–	368	–	–	–	368	–	368
Acquisition of subsidiary	–	–	–	29,713	–	29,713	28	29,741
Total transactions with owners	–	368	–	29,713	–	29,713	28	30,109
Balance at 30 June 2012 (unaudited)	13	1,019	(94)	37,942	(10)	38,870	–	38,870

	Attributable to equity holders of the parent							
	Share capital US$'000	*Share premium US$'000*	*Retained earnings (accumulated losses) US$'000*	*Other reserves US$'000*	*Foreign currency translation reserve US$'000*	*Total US$'000*	*Non-controlling interest US$'000*	*Total US$'000*
Balance at 31 December 2012	13	1,019	(4,685)	37,942	(11)	34,278	–	34,278
Total comprehensive income								
Net gain/(loss) for the period	–	–	(97)	–	–	(97)	–	(97)
Total other comprehensive gain/(loss)	–	–	–	–	2	2	–	2
Total comprehensive gain/(loss) for the period	–	–	(97)	–	2	(95)	–	(95)
Contribution of share capital	–	–	–	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	–	–	–
Balance at 30 June 2013 (unaudited)	13	1,019	(4,782)	37,942	(9)	34,183	–	34,183

Unaudited Aggregated Cash Flow Statements

	Six months ended 30 June 2013 US$'000	*Six months ended 30 June 2012 US$'000*
Operating activities		
(Loss)/profit before Tax	(95)	318
Adjustments:		
Gain on revaluation of investment property	(1,038)	(1,562)
Finance income	(61)	–
Finance cost	669	1,111
Depreciation and amortisation	4	–
Bad debt allowance	50	–
Operating cash flows before working capital	(471)	(133)
Working capital adjustments		
Change in prepaid expenses	(35)	(16)
Change in trade and other payables	217	(210)
Change in advances	146	–
Change in trade and other receivables	(66)	(2)
Income tax paid	–	(32)
Interest paid	–	(16)
Total cash flow from operating activities	(209)	(409)
Investing activities		
Prepayment received for property developed for sale	5,750	–
Acquisition of investment property	(9,210)	(729)
Acquisition of property, plant and equipment	(6)	–
Acquisition of subsidiary	–	(324)
Change in non-current VAT receivable	(468)	(88)
Loans granted	(1,285)	(302)
Loans repaid	247	–
Total cash from investing activities	(4,972)	(1,443)
Financing activities		
Proceeds from borrowings	12,787	4,428
Issue of shares	–	368
Repayment of borrowings	(6,738)	(1,332)
Finance lease repayments	(151)	(225)
Total cash from financing activities	5,898	3,239
Net movement	717	1,387
Cash at the beginning of period	482	60
Effects of exchange rate differences	64	11
Cash at the end of period	1,263	1,458

NOTES TO THE AGGREGATED HISTORICAL FINANCIAL INFORMATION

1. Background

(a) ***Organisation and operations***

Arricano Development Properties (the "Group") comprise four groups, each headed by a limited liability company as follows:

Gelida Holding Limited ("Gelida") – incorporated May 2011

Wayfield Limited ("Wayfield") – incorporated November 2010

Twible Holdings Limited ("Twible") – incorporated May 2011

Sapete Holding Limited ("Sapete") – incorporated May 2011

Gelida, Wayfield, Twible and Sapete are all private limited liability companies incorporated in Cyprus and are all subject to common control.

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out.

(b) ***Ukrainian business environment***

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the economy of Ukraine have further increased the level of economic uncertainty in the environment.

The aggregated historical financial information reflects the Directors' current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from the Directors' assessment.

2. Basis of preparation

The aggregated historical financial information comprises the aggregated financial position and results of the Group.

(a) ***Statement of compliance***

This aggregated historical financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting*.

(b) ***Basis of measurement***

The aggregated historical financial information has been prepared under the historical cost basis except for investment property, which is carried at fair value.

(c) ***Judgments and estimates***

Preparation of aggregated historical financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense and 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 aggregated historical financial information are included in note 5 – valuation of investment property.

(d) ***Functional and presentation currency***

The functional currency of Gelida, Wayfield, Twible and Sapete is the US Dollar (USD). The functional currency of the subsidiaries is the Ukrainian Hryvnia.

The presentational currency for the consolidated historical financial information is US dollars (USD), rounded to the nearest thousand.

In translating the aggregated historical financial information into US dollars the Group follows a translation policy in accordance with International Financial Reporting Standard 21, "*The Effects of Changes in Foreign Exchange Rates*" and the following procedures are performed:

- Historical rates: for the equity accounts except for net profit or loss for the period.
- Six months-end rate: for all assets and liabilities.
- Rates at the dates of the transactions: for the statement of comprehensive income.

The relevant exchange rates, provided by the National Bank of Ukraine, used in translating the aggregated historical financial information of the Group into US dollars were:

Six months ended 2013 exchange rate: USD 1 = UAH 7.993 (six months ended 2012: 7.9925);

Average six months ended 2013 exchange rate: USD 1 = UAH 7.993 (average six months ended 2012: 7.9891).

As there were no significant fluctuations of the USD/Hryvnia exchange rates during the six months periods ended 30 June 2013 and 30 June 2012, for practical reasons, the average exchange rate for the periods have been applied for translation of the statement of comprehensive income.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these Interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012. The following changes are also expected to be reflected in the Group's Consolidated financial statements as at and for the year ended 31 December 2013.

(a) ***Property developed for sale***

Property being constructed for sale, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value. Cost includes:

- Leasehold rights for land;
- Amounts paid to contractors for construction;
- Planning and design costs, costs of site preparation, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price, based on market prices at the reporting date less costs to complete and the estimated selling expenses, adjusted for the time value of money if material.

The Group has considered the application of IFRIC 15 to these contracts and concluded that these 'pre-completion' contracts were not, in substance, construction contracts. However, where the legal terms were such that the construction represented the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition has been applied and revenue recognised as work progressed. Development expenditure incurred in respect of inventory dealt with under the percentage of completion method is recognised in profit or loss in the period incurred.

(b) ***Revenue recognition***

Sales of real estate property

Revenue from the sale of real estate properties is measured at the fair value of the consideration received or receivable, net of allowances and trade discounts, if any. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of property can be estimated reliably, and there is no continuing management involvement with the property, and the amount of revenue can be measured reliably. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Time of the transfer of risks and benefits vary depending on the specific conditions of the contract of sale. There are two variant of revenue from pre-sale of constructed real estate properties:

- in the contract of transfer of rights to previously signed investment contract – revenue is recognised at the time of signing of the act of investment contract completion;
- revenue from sale of completed properties is recognised at the date when risks and rewards are transferred to the buyers which is usually the date of title registration.

Revenue from construction services

Revenue from construction services is recognised by reference to the stage of completion. Stage of completion is measured by reference to actual costs incurred to date as a percentage of total estimated costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(c) ***Changes in accounting policy***

From 1 January 2013, the Group adopted Amendments to IAS 1 Presentation of items of other comprehensive income, IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, IFRS 13 Fair Value Measurement and IFRS 10 Consolidated Financial Statements.

- Amendments to IAS 1 Presentation of items of other comprehensive income requires an entity to present separately items of other comprehensive income that could be reclassified in the future to profit or loss from those items that will never be reclassified to profit or loss. In addition, according to the Amendment, the title of statement of comprehensive income was changed to statement of profit or loss and other comprehensive income. Application of Amendments to IAS 1 did not have significant impact on these Interim condensed consolidated interim condensed financial statements.
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. Application of amendments to IFRS 7 did not have significant impact on these Interim condensed consolidated interim condensed financial statements.
- IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. Application of IFRS 13 resulted in extended disclosures in respect of fair value of investment property made in these Interim condensed consolidated interim condensed financial statements (refer to note 5 (b)).

- IFRS 10 Consolidated Financial Statements introduces a single control model that applies to all entities including special purpose entities. IFRS 10 supersedes a part of previously effective IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The new standard changes the definition of control such that an investor controls an investee when:

  – it has power over the investee;

  – it is exposed, or has rights, to variable returns from its involvement with the investee, and

  – it has the ability to affect those returns through its power over the investee (i.e. there is a link between power and returns).

  Application of this standard had no impact on consolidation of the Group's investees.

4. Business combinations and acquisition of non-controlling interest

(a) ***Acquisition of LLC Mezocred***

On 1 November 2011 Gelida Holding Limited acquired 100 per cent. of share capital in LLC Mezokred Holding, a company under common control.

LLC Mezokred Holding conducts its operations in Ukraine. Its core activity is development of investment property to be subsequently leased out.

The book values (with the exception of investment property at fair value) of the identifiable assets and liabilities of LLC Mezokred Holding as at acquisition date were as following:

	Book value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	11,014
Long-term VAT recoverable	42
Prepaid expenses	17
Cash and cash equivalents	2
Total Assets	11,075
Liabilities	
Long-term borrowings	1,120
Finance lease liabilities – non-current	589
Short-term borrowings	10
Trade and other payables	7
Finance lease liabilities – current	247
Total liabilities	1,973
Total identifiable net assets at book value	9,102
Excess of net assets acquired over consideration paid	(8,916)
Purchase consideration	186
Cash acquired	2
Net cash outflow (cash acquired less consideration paid)	184

LLC Mezokred was acquired from LLC Panorama Group and LLC Media Alliance (the entities under common control), and as a result the excess of assets and liabilities acquired over consideration paid is recognised directly in equity.

The purchase consideration USD 186 thousand consisted only of cash. As at 31 December 2012 purchase consideration was fully paid. For the six months ended 30 June 2012 cash acquired subsidiary in amount of USD 2 thousand was presented in Interim condensed consolidated Statement of Cash Flow in investing activities.

Acquisition of LLC Budkhol

On 13 July 2011 Wayfield entered into a sale and purchase agreement with the former owners on LLC Budkhol for purchase of 100 per cent. of share capital of LLC Budkhol. The controlling company of Wayfield has conducted the Agreement with former owners of LLC Budkhol, which contained provisions regarding setting of some significant obligations existing at purchase date. Thus, the former owners were running the operations of LLC Budkhol until their obligations stated in the Agreement were either executed, or reviewed by conducting additional agreement.

Thus, the control over operations of LLC Budkhol has passed to Wayfield as at 1 June 2012.

LLC Budkhol conducts its operations in Ukraine. Its core activity is development of investment property with subsequent lease out.

The fair values of the identifiable assets and liabilities of LLC Budkhol as at acquisition date were as following:

	Fair value recognised on acquisition US$'000
Assets	
Investment property	27,807
Non-current VAT receivable	151
Other non-current assets	1
Trade and other receivables	3
Other current assets	6
Assets held-for-sale	423
Total Assets	28,391
Liabilities	
Long-term borrowings	5,037
Finance lease liability	495
Tax provision	253
Short-term borrowings	90
Trade and other payables	148
Current portion of finance lease liability	7
Liabilities directly associated with the assets classified as held-for-sale	496
Total liabilities	6,526
Total identifiable net assets at fair value	21,865
Excess of net assets acquired over consideration paid	(20,845)
Purchase consideration	1,020
Cash acquired	–
Net cash outflow	1,020

As at 30 June 2012 equity investment represents the investment in 100 per cent. of share capital in LLC Budkhol in amount of USD 1 020 thousand.

Taking into account that LLC Budkhol was acquired from third parties, the excess of net assets acquired over consideration paid is recognised as profit in the statement of comprehensive income.

The purchase consideration USD 1 020 thousand consisted only of cash. As of 30 June 2012 purchase consideration was not paid in full. As at 30 June 2012 trade and other payables include payables to third parties for 100 per cent. of share capital in LLC Budkhol in amount of USD 371 thousand.

(b) ***Acquisition of LLC Comfort Market Luks***

On 3 November 2011 Twible Holding Limited acquired 99 per cent. of shares in LLC Comfort Market Luks from a company under common control.

LLC Comfort Market Luks conducts its operations in Ukraine. Its core activity is development of investment property to be subsequently leased out.

The book values (with the exception of investment property at fair value) of the identifiable assets and liabilities of LLC Comfort Market Luks as at acquisition date were as following:

	Book value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	22,379
Long-term VAT recoverable	330
Other non-current assets	2
Prepaid expenses	11
Cash and cash equivalents	115
Total Assets	22,837
Liabilities	
Long-term borrowings	20,312
Long-term finance lease liability	945
Short-term borrowings	2,056
Current portion of finance lease liability	11
Trade and other payables	210
Advances from customers	6
Total liabilities	23,540
Total identifiable net liabilities at book value	(703)
Excess of net liabilities acquired over consideration paid attributable to owners of the Parent	701
Proportionate share of net liabilities attributable to non-controlling interests	7
Purchase consideration	5
Cash acquired	115
Net cash inflow (cash acquired less consideration paid)	110

Taking into account that LLC Comfort Market Luks was acquired from LLC Panorama Group (the entity under common control of the Group's ultimate controlling party), the transactions are treated as transactions between entities under common control. The excess of net assets and liabilities acquired over consideration paid is recognised directly in equity.

The purchase consideration USD 5 thousand consisted only of cash. As of 31 December 2012 purchase consideration was fully paid.

(c) ***Acquisition of LLC Vector Capital***

On 20 June 2012 Sapete Holding Limited acquired 100 per cent. of share capital in LLC Vector Capital in transactions between related parties under common control.

LLC Vector Capital conducts its operations in Ukraine. Its core activity is development of investment property to be subsequently leased out.

The book values (with the exception of investment property at fair value) of the identifiable assets and liabilities of LLC Vector Capital as at acquisition date were as following:

	Book value recognised on acquisition US$'000
Assets	
Investment property (at fair value)	9,400
Long-term VAT recoverable	71
Trade and other receivables	3
Cash and cash equivalents	52
Total Assets	9,526
Liabilities	
Long-term borrowings	523
Trade and other payables	102
Total liabilities	625
Total identifiable net assets at book value	8,901
Excess of net assets acquired over consideration paid	(8,896)
Purchase consideration	5
Cash acquired	52
Net cash inflow	47

Taking into account that LLC Vector Capital was acquired from LLC Panorama Group (the entity under common control of the Group's ultimate controlling party) and Mr. Nikolai Pinchuk, the transactions are treated as transactions between entities under common control. The excess of net assets and liabilities acquired over consideration paid is recognised directly in equity.

The purchase consideration USD 5 thousand consisted only of cash and was fully paid as of 30 June 2013. For the six months period ended 30 June 2013 cash acquired with the Subsidiary in amount of USD 52 thousand net of purchase consideration paid was presented in investing activities of the Interim condensed consolidated Statement of Cash Flow.

5. Investment property

Movements in investment property for the 6 months period ended 30 June 2013 are as follows:

	Land held on lease US$'000	*Prepayments for investment property US$'000*	*Property under construction US$'000*	*Total US$'000*
At 31 December 2012	65,735	1,005	9,111	75,851
Additions	–	2,236	8,375	10,611
Transfers	–	(853)	853	–
Fair value gain on revaluation	1,038	–	–	1,038
Disposals	(4,874)	–	(763)	(5,637)
At 30 June 2013	61,899	2,388	17,576	81,863

Movements in investment property for the 6 months period ended 30 June 2012 are as follows:

	Land held on lease US$'000	*Prepayments for investment property US$'000*	*Property under construction US$'000*	*Total US$'000*
At 31 December 2011	30,643	303	2,941	33,887
Acquisition of subsidiary	36,195	18	994	37,207
Additions	–	173	708	881
Transfers	–	(263)	263	–
Fair value gain on revaluation	1,205	–	–	1,205
Currency translation difference	(4)	–	(4)	(8)
At 30 June 2012	68,039	231	4,902	73,172

As at 30 June 2013 and 2012 prepayments for investment property comprise prepayments for construction of the trade centre "PROSPECT" and Lukyanovka project.

During the six months ended 30 June 2013, the Company has capitalised borrowing costs related to construction of the trade centre "PROSPECT" of USD 1,383 thousand (unaudited) (six months ended 30 June 2012: nil), with a capitalisation rate of 10 per cent.

During the six months ended 30 June 2013, the investment property of USD 5,638 thousand was transferred to Property developed for sale in accordance with Investment agreement concluded with an international retail chain of supermarkets and hypermarkets. For details please see note 7.

Property under construction is stated at cost until construction or development is complete as described in note 3d (iii). Management cannot determine the fair value of property under construction reliably, because at the construction stage the fair value estimate of such property involves significant management judgment that may significantly differ from actual circumstances.

To assist with the estimation of the fair value of the Group's investment property as at 30 June 2013 and 30 June 2012, management engaged registered independent appraiser Expandia LLC (formerly CB Richard Ellis LLC), having a recognised professional qualification and recent experience in the location and categories of the properties being valued. The estimation of the fair value at that date is made using a net present value calculation based on certain assumptions.

6. VAT recoverable

The Group accumulates VAT recoverable during the construction of trade centre. Management expects that long-term VAT recoverable will begin to be recovered following the commencement of operations at each of the trade centres.

7. Development property for sale

Movements in the property developed for sale for 6 months ended 30 June 2013 were as follows:

	Property developed for sale US$'000
Balance as at 31 December 2012 (Audited)	–
Transfer from Investment Property (Unaudited)	5,638
Write-off of finance lease (Unaudited)	(228)
Balance as at 30 June 2013 (Unaudited)	5,410

On 25 April 2013, Comfort Market Luks (as developer) entered into an investment agreement with Real Estate F.C.A.U. LLC (as investor), in which it undertook to construct a hypermarket of a total estimated area of 11,760 sq.m. on a turn-key basis and to transfer it to the investor upon completion. Real Estate F.C.A.U.

LLC's aggregate investment commitment under this agreement is approximately UAH 200 million (as at 30 June 2013: USD 25 million), of which around a fifth was due to be paid in May 2013 and the remainder by September 2014.

The size of the land plot which is leased by the Group from the Ukrainian authorities, including the land plot under development for the hypermarket (and other potential related developments) is approximately 1.4 hectares. The size of the whole development area including the hypermarket (and all other potential related developments) is approximately 5.7882 hectares.

Expenditures related with this land plot with cost of USD 5,638 thousand has been transferred from investment property to inventory property (note 5).

8. Loans receivable

As at 30 June 2013 and as at 31 December 2012 loans receivable are presented by short-term interest-free loans to the related parties. For information on related party transactions, refer to note 19.

9. Share capital

Share capital has been aggregated on the face of the balance sheet for presentational purposes, but is disclosed below separately for each of the four entities within the Group:

(a) ***Gelida***

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
(in thousands of USD, except for share numbers)		
Authorised		
Number of shares	2,000	2,000
Share capital	3	3

As at 30 June 2013 and 31 December 2012, the authorised share capital of the Group comprises 2,000 ordinary shares with a par value of EUR 1 each (equivalent of USD 1.425 at the date of issuance).

As at 30 June 2013 and 31 December 2012 the authorised share capital was not paid.

All shares are ordinary, have equal voting, dividend and capital repayment rights. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Group.

(b) ***Wayfield***

	Number of authorised shares	*Number of issued shares*	*Share capital US$'000*	*Share premium US$'000*	*Total US$'000*
As at 1 January 2013 (Audited)	14,385	3,877	4	1.019	1,023
As at 30 June 2013 (Unaudited)	14,385	3,877	4	1,019	1,023

On 25 November 2010 (date of incorporation) the Company issued 2.000 shares with a par value of EUR 1 each and the authorised share capital of the Company was 10.000 ordinary shares with a par value of EUR 1 per share. As at 1 January 2011 all issued shares were unpaid.

(1) On 31 May 2011, the shareholder of the Company took the decision to convert the capital of the Company into US Dollars as follows:

- The authorised share capital of the Company be converted into USD 14.385 divided into 14.385 ordinary shares of US$1 each.
- The issued share capital of the Company be converted into USD 2.877 divided into 2.877 ordinary shares of USD 1 each.

(2) On 1 June 2011 the Company issued 1 000 new shares at a premium of USD 1.019 per share to its shareholder. All issued shares are fully paid.

All shares are ordinary, have equal voting, dividend and capital repayment rights. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company.

As at 30 June 2013 and as at 31 December 2012 all issued shares are fully paid.

(c) ***Twible***

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Authorised		
Number of shares	2,000	2,000
Share capital	3	3

As at 30 June 2013 and as at 31 December 2012, the authorised and issued share capital of the Company comprises 2,000 ordinary shares with a par value of EUR 1 each (equivalent of USD 1.425 at the date of issuance).

As at 30 June 2013 and 2011, the authorised and issued capital was unpaid.

All shares are ordinary, have equal voting, dividend and capital repayment rights. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company.

(d) ***Sapete***

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Authorised		
Number of shares	2,000	2,000
Share capital	3	3

As at 30 June 2013 and as at 31 December 2012, the authorised and issued share capital of the Group comprises 2,000 ordinary shares with a par value of EUR 1 each (equivalent of USD 1.425 at the date of issuance).

As at 30 June 2013 and as at 31 December 2012, the authorised and issued capital was unpaid. All shares are ordinary, have equal voting, dividend and capital repayment rights. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Group.

10. Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost.

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Non-current		
Secured loans from related parties	5,584	5,327
Unsecured loans from related parties	41,020	33,425
	46,604	38,752
Current		
Unsecured loans from related parties	2,579	2,465
	2,579	2,465
	49,183	41,217

The breakdown of loans and borrowings as at 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Non-current (all related parties)		
Filgate	40,828	33,233
Vunderbuilt S.A	192	192
Retail Real Estate	5,584	5,327
	46,604	38,752
Current		
Filgate	2,530	2,415
Other related parties	49	50
	2,579	2,465
	49,183	41,217

The movement in loans and borrowings during the 6 months period ended 30 June 2013 and 30 June 2012 was as follows:

	Currency	*Nominal interest rate*	*Contractual year of maturity*	*Carrying value US$'000*
Balance at 31 December 2012				41,217
Receipts				
Filgate Credit Enterprises Limited	USD	10.00%	2014	10,497
Filgate Credit Enterprises Limited	USD	9.80%	2013	2,191
Filgate Credit Enterprises Limited	USD	10.00%	2015	99
Repayments				
Filgate Credit Enterprises Limited	USD	10.00%	2014	(6,737)
Loans from other related parties	UAH	0.00%	2013	(1)
Unwinding of discount – Retail Real Estate S.A.				251
Accrued interest				1,666
Balance at 30 June 2013				49,183

11. Finance lease liability

Reconciliation between future minimum lease payments at the end of the reporting period and their present value is presented as follows:

	Future minimum lease payments 30 June 2013 US$'000	*Interest 30 June 2013 US$'000*	*Present value of minimum lease payments 30 June 2013 US$'000*	*Future minimum lease payments 31 December 2012 US$'000*	*Interest 31 December 2012 US$'000*	*Present value of minimum lease payments 31 December 2012 US$'000*
Less than six months	153	129	26	173	143	30
Between six and twelve months	130	130	–	145	145	–
Between one and two years	260	260	–	290	290	–
Between two and five years	951	947	5	1,072	1,067	5
More than five years	9,691	7,898	1,793	11,103	9,082	2,021
	11,185	9,364	1,824	12,783	10,727	2,056

Future minimum lease payments as at 30 June 2013 are based on management's assessment based on actual lease payments effective as at 30 June 2013. The future lease payments are subject to review and approval by the municipal authorities and may differ from management's assessment.

The contractual maturity of current land lease agreements range from 2014 to 2029. The Group intends to prolong these lease agreements for the period of usage of the investment property being constructed on the leased land. Consequently, the minimum lease payments are calculated for a period of 50 years.

12. Trade and other payables

Trade and other payables are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Payables for construction works	292	–
Trade and other payables to related parties (note 17c)	5	70
	297	70

13. Operating expenses

Operating expenses for the 6 months period ended 30 June are as follows:

	2013 (unaudited) US$'000	*2012 (unaudited) US$'000*
Management, consulting and legal services	(41)	(1)
Other costs	(71)	(50)
Office expenses and communication services	(127)	(38)
Allowance for bad debts	(50)	–
	(289)	(89)

14. Finance income and finance costs

Finance income and finance costs for the 6 months period ended 30 June are as follows:

	2013 *(unaudited)* *US$'000*	*2012* *(unaudited)* *US$'000*
Foreign exchange gain	61	8
Finance income	61	8
Interest expense	(273)	(997)
Unwinding of discount on loan	(251)	–
Interest on finance lease	(145)	(122)
Finance costs	(669)	(1,119)
Net finance costs	(608)	(1,111)

15. Income tax expense/(benefit)

(a) ***Income tax expense/(benefit)***

Income taxes for the 6 months period ended 30 June are as follows:

	2013 *(unaudited)* *US$'000*	*2012* *(unaudited)* *US$'000*
Current tax expense	2	2
Total income tax expense/(benefit)	2	2

Based on legislation enacted in December 2010, on 1 January 2012 a new tax code became effective in Ukraine. Among other changes the new tax code changed the corporate profit tax rates. For the three month period ended 31 March 2012, a corporate income tax rate of 25 per cent. is applied. A reduced rate of 23 per cent. is applied from 1 April 2011 to 31 December 2011, 21 per cent. is applied for 2012, 19 per cent. for 2013, and from 2014 onwards the tax rate will be fixed at 16 per cent.

(b) ***Deferred tax***

Deferred tax is not provided in respect of the revaluation of the land portion of investment properties as the Group is able to control the timing of the reversal of this temporary difference and the management has intention not to reverse the temporary difference in the foreseeable future. The management estimates that the assets will be realised through a share deal rather than through an asset deal. Should shares be disposed of, the gains generated from the disposal will be exempted from any tax.

16. Assets classified as held for sale

LLC Budkhol (Wayfield) have concluded an agreement with a third party to sell a building at Vasilkovska st., Kyiv.

The assets classified as held for sale and related liabilities are presented below:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Buildings	423	423
Assets classified as held for sale	423	423
Prepayment received	496	496
Liabilities directly associated with the assets classified as held for sale	496	496

17. Commitments and contingencies

(a) ***Construction commitments***

As at 30 June 2013 the Group entered into contracts with the related parties and third parties for construction and project works in respect of four development projects in Kyiv and Odessa for USD 42 292 thousand (31 December 2012: USD 41 575 thousand).

(b) ***Taxation contingencies***

The Group performs 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 the aggregated historical financial information, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in this aggregated historical financial information.

(c) ***Insurance***

The Group does not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that such events could have a material adverse effect on the Group's operations and financial position.

(d) ***Litigations***

As at 30 June 2013 the Group recognised a litigation provision of USD 253 thousand (31 December 2012: USD 253 thousand). Due to the nature of the litigation there is no charge expected to be incurred in the 12 months following 30 June 2013. The Group is not involved in any other litigations that may affect financial information as at reporting date.

In the ordinary course of business, the Group is subject to legal actions and complaints. Management does not believe the result of any such actions will have a material effect on the Group's financial position or result of operations.

18. Related party transactions

(a) *Control relationships*

The Group's immediate and ultimate parent company is Vunderbuilt S.A., which owns 100 per cent. of shares the Arricano Development Properties. The Group's ultimate controlling party is Estonian individual Hillar Teder. No publicly available financial statements are produced by the Group's parent company or the ultimate controlling party.

(b) *Transactions with key management personnel*

Key management remuneration

Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Group.

For the 6 months period ended 30 June 2013 the key management and their close family members received the remuneration which is included in staff cost in amount of USD 54 thousand (6 months period ended 30 June 2012: USD 4 thousand).

(c) *Transactions and balances with other related parties*

Outstanding balances with entities under common control are as follows:

	30 June 2013 (unaudited) US$'000	*31 December 2012 (audited) US$'000*
Prepayments for investment property	1,970	697
Loans receivable	1,204	208
Trade and other receivables	13	4
	3,187	909
Long-term borrowings	(46,604)	(38,752)
Short-term borrowings	(2,579)	(2,465)
Trade and other payables	(5)	(70)
	(49,188)	(41,287)

None of the balances are secured.

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

	2013 (unaudited) US$'000	*2012 (unaudited) US$'000*
Other incomes	72	–
Interest expenses	(1,656)	(49)
Operating expenses	(17)	(2)
Finance costs	(50)	(948)
	(1,651)	(999)

19. Subsequent events

In August 2013 the Group has obtained a guarantees in respect of Sapete, Gelida, Twible, Wayfield from related party according to which all the expenses relating to taxation of the investment property to be incurred in future will be reimbursed by the related party in full. The guarantee is of unlimited duration.

Subsequent to the reporting date the Group (namely LLC Comfort Market Lux) received additional loan tranches in amount of USD 7,000 thousand according to loan agreement with Filgate Credit Enterprises Limited.

PART X

Pro-Forma Statement of Net Assets

Unaudited pro-forma consolidated statement of net assets of the Group

Set out below is an unaudited *pro-forma* consolidated statement of net assets of the Group, which has been prepared by the Directors on the basis of the notes set out below, to show the effects of the acquisition of the Development Properties by the Company and the Placing on the net assets of the Company as at 30 June 2013 as if these transactions had occurred on that date.

It is the sole responsibility of the Directors to prepare the pro-forma statement of net assets. The pro-forma statement of net assets has been prepared by the Directors for illustrative purposes only and, because it addresses a hypothetical situation, does not represent the Group's actual financial position either prior to or following the Acquisitions and/or the Placing.

	Group unaudited net assets as at 30 June 2013	*Adjustments relating to the Acquisitions*				*Net proceeds of the Placing*	*Unaudited pro-forma net assets of the Group as at 30 June 2013*
		Net assets as at 30 June 2013	*Additional related party loan*	*Related party loans conversion*	*Deferred consideration*		
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	*(note 6)*	*(note 7)*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Assets							
Non-current assets							
Investment property	168,900	81,863	–	–	–	–	250,763
Available for sale financial assets	20,727	–	–	–	–	–	20,727
Other non-current assets	8,355	1,864	–	–	–	–	10,219
Total non-current assets	197,982	83,727	–	–		–	281,709
Current assets							
Loans receivable	45,993	–	–	–	–	–	45,993
Cash and cash equivalents	10,443	1,263	7,000	–	–	24,000	42,706
Other current assets	10,164	6,738	–	–	–	–	16,902
Total current assets	66,600	8,001	7,000	–	–	24,000	105,601
Assets classified as held for sale	–	423	–	–	–	–	423
Total assets	264,582	92,151	7,000	–	–	24,000	387,733
Liabilities							
Non-current liabilities							
Long-term borrowings	52,728	46,604	–	(53,604)	10,000	–	55,978
Other non-current liabilities	12,842	2,051	–	–	–	–	14,893
Total non-current liabilities	65,570	48,655	–	(53,604)	10,000	–	70,621
Current liabilities							
Short-term borrowings	46,125	2,579	7,000	(2,574)	10,000	–	63,125
Other current liabilities	21,836	6,238	–	–	–	608	28,682
Total current liabilities	67,961	8,817	7,000	(2,579)	10,000	608	91,807
Liabilities associated directly with assets classified as held for sale	–	496	–	–	–	–	496
Total liabilities	133,531	57,968	7,000	(56,183)	20,000	608	162,924
Net assets	131,051	34,183	–	56,183	(20,000)	23,392	224,809

Notes

1. The net assets of the Group have been extracted without adjustment from the interim for the six months ended 30 June 2013 set out in Section D of Part VIII.

2. The net assets of the Development Properties have been extracted without adjustment from the aggregate interim results for the six months ended 30 June 2013 set out in Section D of Part IX.

3. On 16 August 2013 and 22 August 2013, Filgate Credit Enterprises Limited extended the existing loan facility to Comfort Market Lux LLC by US$3 million and a further US$4 million, respectively, as set out in paragraph 11.2 of Part XIV.

4. Under the terms of the Share Purchase Agreements, Vunderbuilt has agreed to assign, or procure the assignment of, the benefit of certain loans made by Vunderbuilt, RRE and/or Filgate Credit Enterprise Limited to the companies being acquired, to the Company.

5. The Company has agreed to pay deferred consideration in respect of the acquisition of the shares in Wayfield Limited via a cash payment of not more than US$20 million to Bytenem Limited (a company under the same ultimate beneficial control as Vunderbuilt) as set out in paragraph 11.2 of Part XIV.

6. The adjustment assumes the net proceeds of the Placing, receivable by the Company, will amount to US$23.4 million being the gross assets of US$24 million less issue costs accrued at 30 June 2013 of approximately US$0.6 million. Total issue costs as at 30 June 2013 amount to approximately US$1 million, with the balance of approximately US$0.4 million having previously been settled by the Company.

7. No account has been taken of any movement in net assets of the Group or the Development Properties since 30 June 2013 respectively, nor of any other event save as disclosed above.

PART XI

Legislation of Ukraine Related to Land and Other Real Estate Property

Set out below is a summary of material Ukrainian legislation relating to real estate.

General

Ukraine recognises private ownership of real estate. The Constitution of Ukraine, together with the Civil Code of Ukraine dated 16 January 2003 (the "Civil Code"), the Commercial Code of Ukraine dated 16 January 2003 (the "Commercial Code"), the Land Code of Ukraine dated 25 October 2001 (the "Land Code") and other laws, recognise and protect the right to own private property. Currently the majority of land in Ukraine is not privately owned, but is still held by state or local authorities. See "Part IV: Risk Factors — Risks Relating to Group's Business — Any deterioration of the Group's relationships with state and local authorities may negatively affect its business". Ukrainian legislation specifically permits the use of privately owned property for commercial purposes, including the leasing of such property, and permits the retention of revenues, profits and production derived from the commercial use of property. According to applicable Ukrainian legislation, private ownership is judicially protected.

Ukrainian law distinguishes between ownership rights to land plots and to other immoveable property. These are treated separately so that, upon a transfer of ownership rights relating to certain premises, the ownership rights to the underlying land plot may or may not also be transferred, depending on the agreement between the parties. Recent trends in real estate regulations in Ukraine lead to the recognition of some land rights with the purchases of buildings located on such land plots, although mechanisms of their perfection and use remain largely untested.

On 25 October 2001, the Parliament of Ukraine adopted a new Land Code which came into effect on 1 January 2002. The Land Code introduced the general right to own land. Under previously effective law, only Ukrainian citizens were permitted to own land in Ukraine and land sale transactions were permitted only under very limited circumstances. The Land Code also permits the mortgage of privately owned land: provided, however, that only banks may hold mortgages of agricultural land.

The Land Code provides for the following basic rights with respect to land: (i) ownership; (ii) permanent use; (iii) lease; and (iv) servitudes (i.e. easements). It also classifies land ownership among private, municipal and state ownership. The right of permanent use is only available to: (i) enterprises and organisations that are under state or municipal ownership; (ii) social organisations for the benefit of disabled persons; (iii) religious organisations; and (iv) the state railway company. Accordingly, all individuals and legal entities who possessed permanent use rights as at 1 January 2002, were required to re-register their right of permanent use as either ownership or lease rights by 1 January 2008. However, this requirement was invalidated by the Constitutional Court of Ukraine due to the absence of implementing legislation for such re-registration. The Parliament of Ukraine is expected to adopt such legislation in the future.

Land is divided into various categories based upon its principal intended use (e.g. residential, industrial and agricultural). Residential land includes land plots used for residential buildings or buildings designated for public use. Industrial land is used for industrial, mining, transportation and other commercial enterprises. Agricultural land is to be used for farming and other agricultural purposes. Moreover, land plots in Ukraine are subdivided within each category according to their particular type of use, which is indicated in the relevant documentation for a land plot. Under Ukrainian law, land must be used in accordance with its category and the approved intended use.

A land plot can be the subject of civil law rights only when it is formed. "Forming" a land plot involves defining its area and boundaries, and entering certain details of the land plot in the State Land Cadastre. Forming land plots may result from the allotment of land plots out of state and municipal ownership, dividing or joining previously formed land plots, or specifying the boundaries of state and municipal land plots under land management projects for adjusting the territories of settlements. Already formed land plots require state registration with the State Land Cadastre. A land plot is deemed formed once a cadastral number has been assigned to it.

Most commonly, land plots are formed under land allotment projects. Allotment is also required in the event of a change of the category or intended use of the land plot. Allotment of a land plot in general is provided under the Land Code and the Law of Ukraine "On Land Management" of 22 May 2003. Allotment of a land plot is a rather long and complicated procedure that can be initiated by a potential owner or tenant at his or her own risk. Appropriate state and local authorities may refuse to sell or let a land plot that is already allotted. In such case, the costs expended in connection with the allotment request are not reimbursed. The general procedure for the allotment of a land plot is:

- the submission of an application and other relevant documents to the appropriate governmental or local authority;
- the examination of the application and other submitted documents and the issue of official permission by the appropriate governmental or local authority;
- the preparation of the land plot allotment project by specialised companies for activities employing certified land management engineers;
- the approval of the land plot allotment project by the land resources, town planning and architectural, environmental, cultural heritage protection, forestry economy, water economy and other relevant authorities, where required by law;
- state expertise of the land allotment project, where required by law;
- the submission of the land plot allotment project to the appropriate governmental or local authority; and
- the decision of the appropriate governmental or local authority on approval of the land plot allotment project.

Any property right to a land plot, including a lease, can be registered only after such land plot has been registered in the State Land Cadastre. A special law in Ukraine "On the State Land Cadastre" became effective on 1 January 2013 to govern the registration of land plots. The following persons may apply to the State Cadastral Registrar for state registration of a land plot: (i) a person who has obtained a permit for developing the land management documentation for land allotments in lease or ownership from the public domain; (ii) an owner of a land plot or a tenant of state or municipal land (where land plots are divided or joined together); and (iii) a state or municipal authority (for public land).

Property rights to a land plot, other than ownership, may be registered only after the registration of the ownership rights to such land plot.

The Land Code contains a number of transitional provisions that postpone or limit the application of certain provisions of the Land Code until a future date (the "Transitional Provisions"). One of the most important of these Transitional Provisions states that, before 1 January 2016 and until the law on the turnover of agricultural lands is adopted, certain agricultural land (e.g. land shares, land plots for agricultural production and land plots allotted to owners of land shares for individual agricultural activities) may not be re-sold, alienated, or otherwise disposed of unless such alienation results from inheritance or the withdrawal of land for public purposes. The change of the intended use of such land is also prohibited. In addition, individuals or legal entities may not contribute a right to a land share to the charter capital of a legal entity. The Land Code does not contain any similar restrictions with respect to non-agricultural land.

As a general approach, any rights to land plots in public ownership may be acquired only through a land auction procedure. There are several exemptions from this rule, which, among others, covers land underlying buildings; land for cabling, roads and other engineering infrastructure and land for green landscaping, renewal of lease agreements etc. Relevant authorities in charge of providing the land in lease or ownership prepare the land plots for auction, appoint the auction executive, announce and hold the auction. Any person may participate. The person who proposes the highest price or the highest annual rent wins the auction and proceeds to execute the relevant agreement.

Purchasing Land in Ukraine

Generally, Ukrainian individuals and legal entities are permitted to purchase ownership rights in private, state and municipal land in Ukraine. Foreign individuals, legal entities and foreign states are allowed to own, use and dispose of certain non-agricultural land in Ukraine, but are explicitly prohibited from owning agricultural land. Foreign legal entities may own only non-agricultural land: (i) within the boundaries of a settlement, where such land is vested for construction, or if they acquire immoveable property located on such land; and (ii) beyond the boundaries of a settlement only if they acquire immoveable property located on such land. State or municipal land may, however, be sold to a foreign legal entity if it establishes and registers its permanent establishment in the form of a commercial representative office in Ukraine. Foreign legal entities may purchase non-agricultural land owned by the state or by a municipality from the Cabinet of Ministers of Ukraine with the approval of the Parliament of Ukraine, or from the relevant municipal council, with the approval of the Cabinet of Ministers of Ukraine, respectively. Therefore, it has become common practice to use two-tiered structures, whereby the foreign parent company establishes a Ukrainian subsidiary, which in turn creates a second-tier Ukrainian subsidiary to hold the property.

The Land Code does not unambiguously grant the right to own any land in Ukraine to Ukrainian companies with 100 per cent. foreign ownership. Those Ukrainian legal entities that have been established by both Ukrainian and foreign individuals and legal entities (i.e. joint ventures) may own land in Ukraine, subject to the above restrictions and under the procedure set out for foreign legal entities.

The detailed procedures for the acquisition of land are determined by local municipal authorities. For instance, under the local regulations in Kyiv, in order to purchase land with buildings or structures located thereon or that is leased to a third party, the purchaser must file an application which includes a copy of the land lease agreement and other supporting documentation with the Kyiv City Council. In the absence of any serious objections from its departments reviewing the application, the Kyiv City Council must approve the sale. Once such resolution is adopted, the Kyiv City Council will instruct the Kyiv City Chief Department for Land Resources (KyivZem) to prepare a sale and purchase agreement. The sale and purchase agreement must be notarised. A person becomes the owner of a land plot once the ownership right is registered.

If the local authorities (e.g. the Kyiv City Council) resolve to sell a land plot, its value will be determined by a licensed appraiser engaged by the local authorities. This mandatory valuation is carried out using the following valuation methods:

- capitalisation of the net operational (rental) income from the use of the land plot;
- comparing the purchase prices of similar land plots; and
- accounting for the expenses for land improvement.

Under Ukrainian law, "land improvements" are defined as changes to the characteristics of the land from the erection of buildings, structures and other infrastructure or from the commercial activities or works conducted on the site, including soil improvements and changes to the topography of the land. The purchase price for the land should reflect the degree of land improvements performed by the tenant.

Leasing Land in Ukraine

All Ukrainian and foreign individuals, legal entities and states may lease land in Ukraine. The Land Code establishes two types of land leases: short term (up to five years) and long term (up to 50 years, the maximum lease term permitted under Ukrainian law). This used to have practical meaning before certain amendments were introduced to the Law of Ukraine "On Land Lease": for short-term lease agreements notarisation was optional and for long-term leases it was mandatory. The law also allows sub-leasing arrangements, subject to the landlord's consent. Land lease relations are regulated in more detail by the Law of Ukraine "On the Lease of Land", dated 6 October 1998, as amended (the "Land Lease Act").

According to the Land Lease Act, land lease agreements must be in writing and must contain the following essential provisions:

- the subject of the lease (the cadastral number, location and size of the land plot);

- the term of the agreement;
- the rent, with an indication of its amount, indexation, the form of payment, the terms and payment procedure, conditions for review and the consequences of non payment;
- the terms of use and intended use of the leased land plot;
- the terms of preserving the condition of the leased property;
- the terms and conditions for transfer of the land plot to the tenant;
- the conditions for the return of the land plot to the landlord;
- a description of all existing restrictions and encumbrances on the land plot;
- defining the party who bears the risk of accidental damage or loss of the lease target or its part;
- the liability of the parties; and
- the conditions for the mortgage or contribution to share capital of lease right to the land plot.

The absence in the land lease agreement of one of the above-mentioned provisions can result in its invalidation. Every land lease agreement must be made in writing.

The lease right arises from the date its registration.

The lease agreement must have the following integral parts:

- the plan or scheme of the land plot being leased;
- cadastral plan of the land plot, indicating encumbrances on the use of the land plot and established land servitudes;
- a protocol for determining the land plot boundaries afield;
- a delivery and acceptance protocol; and
- a description of the land plot allotment project, where required.

The original lease term may be extended as many times as the parties desire, provided that they re-execute the lease agreement upon each extension and re-register the lease right.

According to the Land Code, an individual or legal entity may acquire lease rights to land in municipal and state ownership by applying to the state authorities. The transfer of such a land plot under a lease must be approved by the resolution of the relevant authorities.

If foreseen by a land lease agreement or upon the written consent of a landlord, a land plot, in whole or in part, can be sub-leased provided that its intended use remains unchanged. The sublease agreement must comply with the underlying lease agreement. The sublease term must not exceed the term of the underlying lease and the sublease must expire upon the expiry of the underlying lease. The sublease right must be registered.

Ownership of leased land may not pass to the tenant automatically under the terms of a lease agreement. However, under the Land Lease Act, the tenant has a pre-emptive right in the event the landlord seeks to sell the leased property. In order to exercise such right, the tenant must pay the price at which the land is offered for sale or, if a property is auctioned by the landlord, the tenant's offered price must be equal to the highest bid. Under Ukrainian law, the tenant has a preemptive right to renew the lease, provided it has duly fulfilled all of its obligations under the original lease. However, the Ukrainian courts have held that a tenant has no right to extend the lease in the event that the landlord decides to no longer lease the property that is the subject of the lease.

According to existing practice in Ukraine, land plots may be leased to private entities for specific purposes, such as residential use or the construction of a shopping centre. If the purpose of the land use is changed, the tenant must apply to the state or local authority that granted the original land lease for a change of the intended use. This requires the tenant to go through the regular land allotment procedure by filing for the required approvals from architectural, fire, sanitary, environmental and other authorities. Under the Land Lease Act, the parties to a lease agreement are generally free to determine the amount and timing of the land rent under the lease. However, the rent for land in state or municipal ownership must be paid in cash and may not be lower than the land tax for the same land plot for agricultural lands and triple the amount of the land tax for any other land, as calculated in accordance with the Tax Code of Ukraine dated 2 December 2010, as amended (the "Tax Code"). In addition, for such properties, subject to certain exemptions for lands under renewable energy facilities and airport infrastructure, the annual land rent may not exceed 12 per cent. of the normative monetary valuation of the particular land plot. Under Ukrainian law, the amount of land rent may be revised by the mutual consent of the parties to the lease.

Land Servitudes

Under Ukrainian law, a land "servitude" is a right of a landholder to use a land plot belonging to another person for specific purposes without acquiring title to the land. Those purposes may include passing by foot or by vehicle, stretching utilities and communications, collecting water, locating building equipment, etc. Usually a servitude is established by an agreement between the parties. A servitude agreement should be registered. Land servitude survives transfer of the title to the land another person.

Property Other than Land

Ukrainian law does not provide any specific restrictions on the ownership, lease or other usage of real property other than land by any persons, whether by Ukrainian or foreign natural persons or legal entities.

Leasing of Real Property Other than Land (Buildings and Structures)

An owner of a building may let its premises at its own discretion. The type of use of the premises should comply with the functional use of the building in general, i.e. whether as a shopping mall, an office building, a warehouse etc. An owner may also appoint a manager of the building who will be responsible for letting the premises either in the owner's name or in its own name, for example, under subletting agreements.

The parties are generally free to define the terms and conditions of a lease agreement. However, the law limits the voluntary unilateral termination of commercial leases to certain material events of default, such as a three month delay in the payment of rent, breach of the lease agreement, failure to repair the premises etc. Other lease regulations may be changed by agreement between the parties.

According to the Civil Code, the lease of a building (or other capital structure) or part thereof must be in writing and must be notarised and the lease right registered if entered into for a period of three years or longer. Short-term leases may be executed in simple written form. Under Ukrainian law, the tenant is required to pay a state duty for the notarisation of a lease agreement with respect to land or buildings if the agreement is notarised by a public notary or, if the agreement is notarised by a private notary, a notarial fee. In the latter case, the notarial fee of a private notary may not be less than the state duty established by the Decree of the Cabinet of Ministers of Ukraine "On State Duty", dated 21 January 2003, as amended (the "State Duty Decree"). In practice, the notarial fee of a private notary does not significantly exceed the amount of state duty. As from 1 January 2007, under the State Duty Decree, the tenant must pay a state duty in the amount of 0.01 per cent. of the normative monetary valuation of land for the notarisation of land lease agreements. For the notarisation of other immoveable property lease agreements the stamp duty is 0.01 per cent. of the contract price (instead of the 1 per cent. applied formerly), capped at a maximum of 50 times the amount of monthly income of an individual that is exempt from taxes under state law (the current cap is approximately US$106.25). In addition to state duty, the tenant normally pays additional notarial dues, which are generally insignificant.

State Registration of Rights to Immoveable Property

Sale and purchase agreements, gift agreements or other types of agreements that deal with ownership rights to real property must be notarised. In addition, the relevant property rights must be registered with the State Register of Property Rights to Real Estate. Information concerning encumbrances on real property is contained in the same register. Since 1 January 2013, the State Register of Property Rights to Real Estate has replaced the following state registers that had been used prior to such date:

- the Register of Ownership Rights to Real Estate, which had been maintained by the local bureaus of technical inventory;
- the Unified Register of Prohibitions to Alienation of Immoveable Properties;
- the State Register of Mortgages;
- the State Register of Legal Actions; and
- the State Land Cadastre (to the extent that this was used to register land rights).

Building Regulations

The principal legislative acts relating to construction include the Law of Ukraine "On Regulation of Town Planning Activities" dated 17 February 2011 (as amended), the Law of Ukraine "On Architectural Activity" dated 20 May 1999 (as amended) and the Law of Ukraine "On Foundations of Town Planning" dated 16 November 1992 (as amended). In addition, construction activities are governed by the resolutions of the Cabinet of Ministers of Ukraine, and other applicable regulations of specialised state authorities and local councils.

Construction on an allotted land plot may only be carried out after filing a declaration of commencement of construction works (for relatively straightforward buildings) or obtaining a permit for the performance of construction works (for more complex developments). A right to build may be obtained either by the owner or by the tenant of a land plot. Before filing a declaration or obtaining a construction permit a developer should collate and prepare a set of town-planning conditions and limitations, technical conditions for the supply of utilities and other input data for the design, elaborate and approve a building design and, in certain cases, obtain state investment expertise of the design documentation.

During the co-ordination and approval of the design documentation, local authorities may impose certain investment obligations on the developer. Common practice shows that these usually take the form of a share participation (fees) of investors in the development of the social, civil engineering and traffic infrastructure of the city, which may constitute up to 10 per cent. of the construction costs for non residential properties, and up to 4 per cent. for residential developments. Other investment covenants may include the construction of utilities, roads, landscaping and other obligations.

After construction, the completed building should be put into operation (i.e. commissioned). For relatively straightforward buildings, commissioning means filing another declaration on the readiness of the building for operation; whilst for more complex developments a specific readiness certificate should be obtained from the architectural and building control authorities after their inspection.

Title to a newly constructed building should be further formalised by the receipt of an ownership certificate. Local bureaus of technical inventory inspect and compile detailed plans of all the premises. The ownership title then must be registered in the State Register of Property Rights to Real Estate.

Licensing of Construction Activities in Ukraine

Under the Law of Ukraine "On the Licensing of Certain Entrepreneurial Activities" dated 1 June 2000, as amended (the "Licensing Law"), construction activities are subject to mandatory licensing. A foreign company seeking to engage in construction work should establish a wholly owned Ukrainian subsidiary or a joint venture eligible for the receipt of a construction licence. Construction licences are issued for a term of five years. The term of the licence may be extended pursuant to procedures established by the Licensing

Law. A comprehensive list of construction activities subject to licensing is attached to the Licensing Conditions for Performing Commercial Activity in Construction Related to Building Architectural Items, adopted by the Order of the Ministry for Regional Development and Construction of Ukraine No. 47 dated 27 January 2009, as amended. A company may apply for and obtain a construction licence subject to meeting certain licensing conditions.

Liabilities of Owners

Owners of land plots and buildings must comply with various environmental, public health, fire, residential, town planning and other requirements of Ukrainian law. The owner of a building generally bears all liabilities that may arise in connection with the building. Owners and leaseholders are required to use the land in accordance with its intended use, not to cause harm to the environment, assume liability and financial costs related to complying with the various land use standards and not to allow the pollution of, littering on or degradation of the land.

Land and Real Property Taxation

Owners of land and persons holding permanent use rights over land must pay a land tax, land tenants must pay the land rent as set out in the lease agreement. Currently, the general land tax for land plots, subject to certain exceptions established by the Tax Code, is 1 per cent. per year of the normative monetary valuation of the land, which is updated from time to time. Tax is paid on a monthly basis at one-twelfth of the annual tax amount. The land valuation is carried out by authorised licensing organisations in accordance with the methodology adopted by the Cabinet of Ministers of Ukraine. This methodology accounts for various factors, including, but not limited to, the location of the land and the purpose for which the land is to be used. The valuation of a particular land plot is carried out at least once every five to seven years, save for non-agricultural lands outside the boundaries of settlements, the valuation of which is carried out at least once every seven to 10 years. With each new valuation, the original valuation is adjusted pursuant to a formula adopted by the Cabinet of Ministers of Ukraine. The market value of land is not uniform across Ukraine as the factors in forming a valuation vary from place to place. Furthermore, the valuation of land, which is the basis for the computation of the land tax, fluctuates from year to year.

Construction Financing

At the end of December 2005, the Parliament of Ukraine introduced amendments to the Law of Ukraine "On Investment Activities" dated 18 September 1991 (the "Investment Activities Law"), with respect to the financing residential construction. As from 1 January 2006, under the Investment Activities Law, investing in, and the financing of, residential construction by individuals and private legal entities may be carried out exclusively through construction financing funds, real estate operations funds, joint investment institutions and private pension funds which have been established and operate in accordance with Ukrainian legislation. In addition, residential construction financing may be carried out by issuing interest-free (special purpose) bonds, in which a unit of such real property (e.g. a square metre) is a basic commodity. Other financing options may be set out exclusively by the laws of Ukraine.

With respect to non residential construction financing, developers are permitted to use any other instruments, such as joint venture, share participation or investment agreements, in addition to the methods of financing described above.

PART XII

Taxation

The following information, which relates only to UK, Ukraine and Cyprus taxation, is applicable to the Company and to persons who are resident in the UK and (in relation to UK and Ukraine taxation only) who hold Ordinary Shares as investments. It is based on the law and practice currently in force in the UK, Cyprus and Ukraine. The information is not exhaustive and, if potential investors are in any doubt as to the taxation position, they should consult their professional advisers without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and it may alter the benefits of investment in the Company.

UK Taxation

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who hold Ordinary Shares as investments. It is based on the law and practice currently in force in the UK. The information is not exhaustive and, if potential investors are in any doubt as to the taxation position, they should consult their professional advisers without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and it may alter the benefits of investment in the Company.

Shareholders who are not resident in the UK (with certain exception for temporary non residents) and do not carry on a trade, profession or vocation through a branch or agent in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

The Company

It is the intention of the Directors to conduct the affairs of the Company so that it does not become resident for taxation purposes in the UK and so that it does not carry out any trade in the UK (whether or not through a permanent establishment situated therein). On this basis, the Company should not be liable for UK taxation on its income or gains, other than certain income deriving from a UK source.

It is intended that the Company will have underlying businesses conducted through subsidiary or associated companies in overseas jurisdictions. It is expected that tax will be payable by the overseas subsidiary companies in those jurisdictions. The Directors intend to organise the Group's affairs so as to minimise (to the extent practicable), through appropriate planning and other opportunities, the incidence of taxation arising.

Dividends – Individuals

Individual Shareholders who are resident in the United Kingdom for tax purposes, and who hold their Ordinary Shares as investments, will be liable to income tax on the gross amount of dividends from the Company. To the extent that such a dividend is brought within the charge to UK tax, the Shareholder may be entitled to a UK tax credit which may be offset against the income tax liability arising on the dividend. If available, the tax credit will be equal to 10 per cent. of the gross dividend (i.e. the tax credit will be one ninth of the amount of the net cash dividend). A Shareholder who is not subject to income tax on the dividend will not be entitled to reclaim any of the tax credit.

Shareholders who are liable to income tax at the basic rate will be liable to income tax at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full that Shareholder's liability to income tax.

Shareholders who are liable to income tax at the higher rate will be liable to income tax at the rate of 32.5 per cent. of the gross dividend but will be able to offset the tax credit against this liability so that the Shareholder will have to account for additional income tax equal to 25 per cent. of the net cash dividend received.

Dividends received by UK resident Shareholders with taxable income in excess of £150,000 are currently subject to income tax on the gross dividend at 37.5 per cent. This will mean that the tax credit, if available, will mean such Shareholders need to account for additional UK tax equal to 30.6 per cent. of the net cash dividend received.

Individual holders of Ordinary Shares who are UK resident but who are not domiciled in the UK, will only be subject to UK income tax as described above if and to the extent that such income is remitted or deemed to be remitted to the UK and the holder has elected to be taxed on the remittance basis.

Dividends – Companies

Companies that are resident in the UK for tax purposes will generally be exempt from corporation tax on dividends received. There are various exceptions to this exemption, depending on the size of the Shareholder, and whether certain anti-avoidance provisions apply. Corporate Shareholders should confirm their tax position with a specialist tax adviser.

Chargeable Gains – Individuals

In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax and who hold their Shares as investments, capital gains tax may be payable on a disposal of Ordinary Shares. The rate of capital gains tax is currently 18 per cent. for basic rate taxpayers, and 28 per cent. for higher rate taxpayers.

Chargeable Gains – Companies

Shareholders within the charge to UK corporation tax may be subject to corporation tax on capital gains in respect of any gain arising on a disposal of Ordinary Shares. Indexation allowance may apply to reduce any chargeable gain arising on the disposal of Ordinary Shares.

Controlled Foreign Companies

If the Company is owned by a majority of persons resident in the UK, the controlled foreign companies legislation may apply to any corporate Shareholders that are resident in the UK. Under these rules, part of any undistributed income accruing to the Company or its non-UK subsidiaries may be attributed to, and chargeable to UK corporation tax in the hands of, the Shareholder. However, this will only apply if the apportionment to that Shareholder (when aggregated with persons connected or associated with it) is at least 25 per cent. of the Company's relevant profits.

Stamp Duty and Stamp Duty Reserve Tax

No liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the allotment of Ordinary Shares by the Company pursuant to the Placing. Any subsequent conveyance or transfer on the sale of Ordinary Shares outside CREST will not normally be subject to stamp duty provided the instrument of transfer is not executed in the UK and there is no matter or thing in relation to such transfer done, or to be done, in the United Kingdom.

Similarly, an unconditional agreement to transfer such Ordinary Shares outside CREST will not normally give rise to SDRT, provided that:

(i) the Ordinary Shares are not maintained on a share register in the United Kingdom; and

(ii) the Ordinary Shares are not paired with any UK shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the system. Transfers of shares within CREST are generally not liable to stamp duty or SDRT.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market-markers, brokers, dealers and persons connected with depository arrangements and clearance services, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Cyprus Taxation

The following information, which relates only to Cyprus taxation, is applicable to the Company and to persons who are resident or ordinarily resident in Cyprus and who hold Ordinary Shares as investments. It is based on the law and practice currently in force in Cyprus. The information is not exhaustive and, if potential investors are in any doubt as to the taxation position, they should consult their professional advisers without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and it may alter the benefits of investment in the Company.

Shareholders who are not resident or ordinarily resident in Cyprus and who do not carry on a trade, profession or vocation through a branch or agent in Cyprus with which the Ordinary Shares are connected, will not normally be liable to Cypriot taxation on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

Tax Residency in Cyprus

Individuals

An individual will be resident in Cyprus if they stay in Cyprus for period exceeding 183 days in any tax year, on an aggregate basis.

For the purposes of calculating the period of residence, the day of departure from Cyprus is not considered to be a day of residence in Cyprus, while the day of arrival is considered to be a day of residence in Cyprus.

Company

In accordance with Cyprus income tax laws, a company is tax resident in Cyprus if its management and control are exercised there. There is no definition in Cyprus income tax law as to what constitutes "management and control". It is understood that the definition set out in the OECD model convention in relation to a "place of effective management" is the one followed by the Cyprus tax authorities, which is:

> The place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the entity's business are in substance made. The place of effective management will ordinarily be the place where the most senior person or group of person (for example, a board of directors) makes its decisions; the place where the actions to be taken by the entity as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time.

Cyprus Income Taxes

Individuals

Cyprus-resident individuals are subject to Cyprus income tax on their worldwide income as follows:

– 0 per cent. on the first EUR 19,500

– Progressive tax rates up to 35 per cent. on amounts above EUR 19,500

Companies

Cyprus tax-resident companies are subject to corporation tax on their worldwide taxable profits at the rate of 10 per cent. for profits until 31 December 2012. From 1 January 2013, the rate of corporation tax has increased to 12.5 per cent.

Capital Gains

Individuals

Any gains derived by a Cyprus tax-resident individual from the disposal of “qualifying” securities (shares, debentures, bonds, founders’ shares and other securities of companies or other legal persons incorporated under a law in Cyprus or abroad and options thereon) are generally exempt from Cyprus income tax.

Any gain arising from the disposal of securities in a company holding immoveable property situated in Cyprus or gains arising directly on the disposal of such immoveable property would be subject to capital gains tax at 20 per cent.

Companies

Any gains derived by a Cyprus tax resident company from the disposal of “qualifying” securities (shares, debentures, bonds, founders’ share and other securities of companies or other legal persons incorporated under a law in Cyprus or abroad and options thereon) are generally exempt from Cyprus corporation tax.

Any gain arising from the disposal of securities in a company holding immoveable property situated in Cyprus or gains arising directly on the disposal of such immoveable property would be subject to capital gains tax at 20 per cent.

Dividend Income

Individuals

Dividend income received from Cyprus resident or non resident companies is exempt from income tax but subject to the Special Contribution for Defence (the “SDC”) at 20 per cent. (see below under “Special Contribution for Defence”).

Companies

Dividend income received from Cyprus-resident companies is exempt from the SDC and dividend income received from non-Cyprus-resident companies is also exempt from the SDC under certain easily met conditions. This exemption does not apply if more than 50 per cent. of the paying company’s activities result directly or indirectly in investment income and the foreign tax is significantly lower than the tax rate payable in Cyprus (i.e. less than 5 per cent.)

In most cases, no Cypriot tax liabilities generally arise, either due to the SDC exemption, or if not, due to double tax relief under the provisions of a tax treaty, provided that the proper documentation can be provided to the Cypriot tax authorities. Double tax relief may available by way of credit for foreign tax against Cyprus tax payable in respect of the same item for which the credit is claimed.

If the SDC exemption does not apply and any credit relief is not enough to obtain full credit again the Cyprus tax of 20 per cent., some tax may be payable in Cyprus.

Interest Income

Individuals

Interest income arising in the ordinary course of business, including interest closely connected with the carrying on of that business, is subject to income tax at the rates described above. All other interest received is exempt from income tax but is subject to the SDC. In the event of receiving interest from non resident companies, double tax relief may available by way of credit for foreign tax against Cyprus tax payable in respect of the interest for which the credit is claimed.

Companies

Any interest arising in the ordinary course of business, including interest closely connected with the carrying on of that business, and interest earned by open-ended or closed-ended collective investment schemes, is considered as trading profit and not interest and therefore subject to corporation tax in Cyprus (after deductions for any business expenses). Any other interest received is exempt from corporation tax but is subject to the SDC on the gross amount before the deduction of any expenses.

Special Contribution for Defence ("SDC")

Individuals

Dividends payable to individuals who are tax resident in Cyprus are currently subject to a 20 per cent. SDC. Interest paid to individuals not arising in the ordinary course of business was subject to 15 per cent. SDC until 28 April 2013. As from 29 April 2013 the rate has increased to 30 per cent.

In the event that foreign tax is paid on income subject to the SDC, this can be given as an allowance against the SDC payable on the income, irrespective of the existence of a double taxation treaty with the foreign country.

Cyprus tax legislation includes deemed distribution provisions. These provisions do not apply to profits attributable to non-Cyprus tax-resident individual Shareholders. Any profits attributable to individuals who are Cyprus tax residents are subject to the deemed distribution provisions. These rules provide that a company which does not distribute 70 per cent. of its profits after tax (as defined by the relevant tax law) within two years after the end of the relevant tax year, will be deemed to have distributed a dividend equivalent to 70 per cent. of these profits on which the SDC at 20 per cent. will be payable. The amount of the deemed distribution is reduced by the actual dividend paid out of the profits of the relevant year during the relevant two years.

Companies

Dividend income received from non resident companies that do not meet the exemption is subject to the SDC at the current rate of 20 per cent.

Interest income not arising in the ordinary course of business was subject to SDC at the rate of 15 per cent. until 28 April 2013. As from 29 April 2013 the rate has increased to 30 per cent.

In the event that foreign tax is paid on income subject to the SDC, this can be given as an allowance against the SDC payable on the income, irrespective of the existence of a double taxation treaty with the foreign country.

Cyprus tax legislation includes deemed distribution provisions. These provisions do not apply to profits attributable to non-Cyprus tax-resident company shareholders. Any profits attributable to companies that are Cyprus tax residents are subject to the deemed distribution provisions. These rules provide that a company which does not distribute 70 per cent. of its profits after tax (as defined by the relevant tax law) within two years after the end of the relevant tax year, will be deemed to have distributed a dividend equivalent to 70 per cent. of these profits on which the SDC at 20 per cent. will be payable. The amount of deemed distribution is reduced by the actual dividend paid out of the profits of the relevant year during the relevant two years.

Withholding Taxes

No Cypriot withholding taxes will apply to payment of dividends and interest by a company to non-Cyprus tax-resident companies and individuals, or Cyprus tax-resident companies.

Capital Duty

Capital duty is payable in respect to the authorised and issued share capital of a Cypriot company upon its incorporation and upon subsequent changes thereon. The capital duty rates for subsequent changes of the authorised and issued share capital are as follows:

- 0.6 per cent. on the nominal value of additional authorised share capital; and
- €17.09 flat duty on every issue, whether the shares are issued at their nominal value or at a premium.

Stamp Duty

Stamp duty arises in Cyprus on documents (i.e. contracts or agreements) that relate to:

(i) assets located in Cyprus; or

(ii) transactions or things that will take place in Cyprus.

The Cyprus stamp duty rates for contracts until 28 February 2013 were calculated on the value of each contract as follows:

- 0.15 per cent. for the first EUR170,860; and
- 0.2 per cent. thereafter plus EUR256.29; or
- EUR34.17 for contracts without a fixed sum

The maximum amount of duty was capped at EUR17,086.

The Cyprus stamp duty rates from 1 March 2013 are as follows:

- 0 per cent. for contracts up to EUR5,000;
- 0.15 per cent. for contracts between EUR5,001 and EUR170,000; and
- 0.2 per cent. for contracts of EUR170,001 and over.

The maximum amount of duty is capped at EUR20,000.

Ukraine Taxation

Set out below is a summary of the relevant Ukrainian tax laws and regulations in effect on the date of this document. These tax laws and regulations are subject to change or to varying interpretations, possibly with retroactive effect. As with other areas of current Ukrainian legislation, the tax laws and practice in Ukraine are not as clearly established as those of more-developed tax jurisdictions. It is possible, therefore, that the current interpretation of the tax laws and regulations or the understanding of such laws and regulations and associated practices set out below may change, or that such laws and regulations may be amended with retroactive effect.

Accordingly, it is possible that any and all payments to be made to the Company or its affiliates could become subject to Ukraine taxation, or that the rates currently in effect with respect to such payments could be amended, in ways that cannot be anticipated as at the date of this document.

Ukrainian Corporate Profits Tax

Residence

A legal entity or an entity without legal personality (such as a branch, agency etc.) incorporated or registered and operating in accordance with Ukrainian law is considered to be tax resident in Ukraine. Ukrainian incorporated resident entities are liable to taxation in Ukraine on their worldwide income. In contrast, a legal entity incorporated outside Ukraine is liable to taxation in Ukraine only with respect to: (i) income from its business carried out in Ukraine through a permanent establishment ("PE"); or (ii) its "Ukrainian source income" in the form of, amongst other things, dividends, interest and capital gains, if its business carried out in Ukraine does not give rise to a permanent establishment there.

Taxable Income/Deductible Expenses

Profits subject to tax are determined by taxable income less production costs and other expenses of a commercial nature. Ukrainian corporate profits tax is imposed at a rate of 19 per cent. The current tax legislation in Ukraine envisages that the rate will be reduced to 16 per cent. beginning on 1 January 2014.

In Ukraine, retained earnings are exempt from further taxation until such time as they are distributed to shareholders, at which point they are taxed at the distributing entity level at the rate of 19 per cent., which is charged on, and in addition to, such distributed profits. However, the distributing entity may credit any such tax levied on distributed profits against its corporate profits tax liability.

A Ukrainian legal entity will only be allowed to deduct for purposes of the corporate profits tax 85 per cent. of its costs incurred in the form of service fees paid (a) for the benefit of, (b) through the mediation of or (c) to or through the bank accounts of, a foreign service provider, if such provider is deemed to be a resident of an “off-shore jurisdiction”. Cyprus is currently not on the list of such “off-shore jurisdictions”.

Ukraine’s transfer pricing rules will apply if the parties to any transactions are considered to be “related” for the purposes of applying Ukrainian tax laws and regulations. Parties are “related” if, *inter alia,* one party controls, directly or indirectly, shareholdings representing more than 20 per cent. of the charter capital of the other party. Transactions between related parties must be determined on an “arm’s-length” basis (i.e. at the market rate). The applicable Ukrainian corporate profits tax laws and regulations employ the transfer pricing methods aligned with those envisaged in the OECD Transfer Pricing Guidelines. On 16 July 2013 the Parliament of Ukraine adopted new legislation relating to transfer pricing. Before coming into effect, this needs to be signed by the President of Ukraine who as at the date of drafting this document has not provided his signature. If signed, it is expected that the new transfer pricing rules are to be applied as of 1 September 2013.

There is no concept of consolidated taxes and, therefore, each legal entity is viewed as a separate payer of corporate profit tax and is required to compute and pay its profits tax.

Ordinarily, tax losses can be carried forward indefinitely but the carry-back of losses to previous periods of assessment is not permitted. However, there are special rules for carrying forward tax losses accumulated as at 1 January 2012. Such losses may only be carried forward during 2012–2015 and utilised at a rate of 25 per cent. of the balance as at 1 January 2012, in each accounting period. If such losses are not utilised by the end of 2015, they will be available in subsequent years. This restriction applies to companies with income in 2011 that exceeded UAH 1 million. Losses incurred in 2012 and subsequent years are permitted to be carried forward without restrictions.

From 2013, there is a restriction on losses carried forward if such losses arise as a result of transactions in unquoted securities. Such losses may be carried forward for only three years.

It may be expected that additional restrictions may be imposed in future, given the nature of the Ukrainian tax system.

Ukrainian Withholding Taxes

A non-Ukrainian legal entity is generally not subject to withholding taxes in Ukraine on its Ukrainian source business profits unless such profits are attributed to the registered or deemed permanent establishment (“PE”) in Ukraine. These profits are taxed at the standard corporate profit tax rate applicable to Ukrainian companies (19 per cent. in 2013 and 16 per cent. as at 2014). Any passive income accrued in favour of a non-Ukrainian legal entity, such as dividends, royalty or interest, as well as capital gains and some other types of income are generally subject to Ukrainian withholding tax at a rate of 15 per cent. The withholding tax rate may be reduced, or eliminated, by virtue of the terms of an applicable tax treaty for the avoidance of double taxation between Ukraine and the respective jurisdiction.

On 23 July 2013, Ukraine ratified a new double taxation treaty with Cyprus which enters into force on 1 January 2014. However, due to errors in translation there is a risk that the period from 23 July 2013 until 31 December 2013 is not covered by the existing or new double taxation regimes.

There is therefore a risk that any ‘passive’ income and/or gains made upon the sale of shares and participatory interests in Ukrainian companies by a Cypriot company may be subject to Ukrainian withholding tax at a rate of 15 per cent. if such income and/or gain is made before 1 January 2014. There is no official guidance or clarification available in relation to this from any state authorities.

The new taxation treaty envisages a reduction of the Ukrainian withholding tax from 15 per cent., as follows:

- Dividends: 5 per cent. provided certain conditions are met;
- Interest: 2 per cent. provided the recipient is the beneficial owner of the interest; and
- Royalties: 5 or 10 per cent. depending on the type of intellectual property rights.

Beneficial ownership requirements apply to be able to benefit from the treaty. Capital gains made by a Cypriot entity on a sale of shares and participatory interests are not subject to withholding tax in Ukraine in accordance to the treaty.

A company which is a resident of Cyprus for the purposes of the new tax treaty should be in a position to be exempt from Ukrainian withholding tax with respect to dividends, interest, or capital gains provided that such Ukrainian source income will not be attributable to the Company's registered or deemed PE in Ukraine.

Ukrainian tax law also provides for a beneficial ownership test in order to apply treaty privileges.

Value Added Tax and Customs Duty

Value Added Tax ("VAT") of 20 per cent. is imposed on domestic sales of goods, works and services, and the import of goods and concomitant services to Ukraine. Import VAT is assessed on the customs value of the imported goods inclusive of customs duties. Export of goods is subject to 0 per cent. VAT (which effectively means a VAT exemption for exporters with an entitlement to claim input VAT offset under applicable conditions and procedures). A number of goods, works and services are exempt from VAT.

Import customs duties are generally imposed at rates varying from 0 per cent. to 50 per cent. on a wide range of imported goods. If certain conditions are met, there may be a reduction of customs duty rates or an exemption from customs duty.

As from January 1, 2014, the standard VAT rate will be reduced to 17 per cent.

Payroll Taxes

Payroll taxes are represented in Ukraine by Personal Income Tax ("PIT") and the Single Social Charge ("SSC"). PIT is charged in Ukraine in connection with income obtained on a worldwide basis. Residents are liable to pay tax from income received from both Ukrainian and foreign sources. Non residents pay PIT from their income obtained within the territory of Ukraine. There are two principle PIT rates: 15 per cent. and 17 per cent. The 17 per cent. rate is applied to the excess of monthly taxable income over 10 minimum wages as at 1 January of the reporting year (UAH11,470 in 2013).

SSC is charged on the amount of wages, salaries and other payments to employees, the income of self-employed individuals and the profits of individual entrepreneurs.

SSC is payable at rates between 36.7 per cent. and 49.7 per cent. The rates vary in accordance with the "traumatism risk level" relevant to the particular industry in which the entity is engaged.

Employees pay contributions at the rate of 3.6 per cent. of their monthly salary (the above mentioned cap is applicable).

Land Tax

Currently, land tax applies at the rate of one per cent. per annum[2] of the "pecuniary valuation" of land. This tax is paid on a monthly basis at one twelfth of the annual tax.

The pecuniary valuation of land is carried out by the State Committee of Ukraine on land resources in accordance with the methodology adopted by the Cabinet of Ministers of Ukraine. This methodology accounts for various factors, including, but not limited to, the location of the particular parcel of land and the purpose for which the land is to be used.

2 There are different rates for agricultural, forest lands and other types of land.

The pecuniary valuation of a particular parcel of land is carried out only once. For each of the subsequent years, however, the original valuation is adjusted by a coefficient of indexation, which is established for the relevant year in accordance with the procedure adopted by the Cabinet of Ministers of Ukraine.

The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors in that jurisdiction from the normal tax regime otherwise applicable to an investment in the Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions that are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

PART XIII

VALUATION REPORT

CBRE Ltd
Henrietta House
Henrietta Place
London
W1G 0NB

Switchboard +44 (0) 207 182 2000

Report Date	6 September 2013
Addressees	The Directors Arricano Real Estate plc Neocleous House 195 Arch. Makariou III 3608 Limassol Cyprus ("Arricano") and The Directors Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY in their capacity as Nominated Advisor and Broker
The Properties	The properties held by Arricano Real Estate plc, as listed in the Schedule of Properties set out in Appendix A below.
Property Descriptions	Shopping centres, land held for development and in course of development.
Ownership Purpose	Investment.
Instruction	To value on the basis of Fair Value the relevant interests in the Properties as at the Valuation Date in accordance with the letter of instruction and terms of engagement dated 28 March 2013.
Valuation Date	30 June 2013.

Capacity of Valuer

External.

Purpose

The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards March 2012 ("Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") is required for inclusion in an Admission Document (the "Admission Document") which is to be published by Arricano Real Estate plc pursuant to an Initial Public Offering of shares by Arricano Real Estate plc on the AIM market of the London Stock Exchange, as a result of which shares of Arricano Real Estate plc will be admitted to and traded on the AIM market of the London Stock Exchange.

The effective date of valuation is 30 June 2013.

In accordance with the RICS Valuation – Professional Standards March 2012 ("Red Book") we have made certain disclosures in connection with this valuation instruction and our relationship with Arricano.

Fair Value

$364,200,000 (SIX HUNDRED AND SIXTY-FOUR MILLION, TWO HUNDRED THOUSAND US DOLLARS) exclusive of purchaser's costs and VAT.

We confirm that the "Fair Value" reported above, for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value".

Our opinion of Fair Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the market values of the assets. No account has been taken in reporting these fair values of the extent of Arricano Real Estate plc's interests in the companies holding the subject Properties.

There are no negative values to report.

We are required to show the split of values between freehold-equivalent and leasehold property, and to report investment and development properties separately.

- Under Ukrainian real estate law, land and buildings can be held separately, and on separate tenures. We have taken building ownership to constitute a freehold-equivalent interest. There are no leasehold interests to report.
- The Properties currently held by Arricano Real Estate plc are principally all held as Investments with one held for development and one in the course of development.

Category	Fair Value ($)
Properties held for Investment	$335,600,000
Land held for Non-Specialised Development	$12,200,000
Property in the Course of Non-Specialised Development	$16,400,000
Total	$364,200,000

Report Format

Appendix A of this Valuation Report contains the Schedule of Properties. Appendix B provides the Property Details and Market Value of the Portfolio. Appendix C provides property details of the Acquisition Properties (see below).

Acquisition Properties

Arricano Real Estate plc has entered into contracts to acquire four further properties subject to admission to the London Stock Exchange (the "Acquisition Properties"). At the request of Arricano, we have additionally carried out appraisals of these following properties not currently owned by Arricano Real Estate plc. However, for the avoidance of doubt these properties are not included in the Fair Value of the Portfolio which is the subject of this Valuation Report. Further property details are provided at Appendix C below.

It is noted that the Company has contracted to acquire these assets at a future date, following Admission. Our valuations are provided as of the date of this report and as at the effective valuation date, and on the basis that each property is wholly owned without any unduly onerous conditions or restrictions that would impact on value. Further we assume the full due diligence will be undertaken prior to purchase in order to ensure that no such conditions or restrictions exists. As valuations are subject to change over time, we would of course recommend that these valuations be reviewed prior to purchase and that the commercial feasibility of each project be monitored.

Compliance with Valuation Standards

The valuation has been prepared in accordance with the *RICS Valuation – Professional Standards March 2012* ("Red Book"). The property details on which each valuation is based are as set out in this report.

The valuations are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Assumptions

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

Notes

- There are discrepancies between the tenancy schedules provided by Arricano and information in the Legal Due Diligence report (Legal Review report) by Baker & McKenzie, including in a number of instances areas, lease terms and break options and rents payable.
- We understand than in a number of cases preliminary agreements only have been signed with tenants, and that documentation of leases is still pending. We have assumed that all tenants who have signed preliminary agreements will conclude leases.
- The Legal Due Diligence reports that a number of leases have not been registered although required by law, but that this is not considered a significant risk.
- The Legal Due Diligence reports a number of issues with the land leases. The Legal Due Diligence reports that these issues are not a significant risk to the ownership of the buildings.

Development Properties

Properties held for Development or in the Course of Development have been valued on the *Residual (Development Appraisal) Method*. This is the commonly practised method of valuing development property, whereby the estimated total costs of realising the proposed development (including construction costs, fees and other on-costs, contingencies, costs of finance and developer's profit) are deducted from the estimated gross development value of the completed project to determine the residual land value.

It should be noted that land values derived from a Residual Development Appraisal calculation are extremely sensitive to minor changes in any of the inputs, including (but not limited to) the gross development value, construction and on-costs, finance, timescale and development profit assumptions. Whilst we have checked the information provided to us against available sources of information and provided for levels of profit which in our opinion reflects the levels of risk inherent in the projects (between 23% and 30% on costs), unforeseen events such as delays in timing, minor market movements etc can have a disproportionate effect on the resulting values.

Land values have been benchmarked against comparable transactions where available and reflect our opinion as at the date of valuation. Should information which we were not made aware of at the time of the valuation subsequently come to light which changes our view on any of the input variables adopted, then the value reported is subject to change and we reserve the right to amend our valuation figures accordingly.

The key valuation assumptions adopted for our present valuations are outlined in Appendix C below for information only. While we have adopted assumptions we consider reasonable as at the valuation date, we would draw your attention to the fact that the gross development values, the outstanding costs and timescales are not guaranteed and these will impact on the profitability of the schemes.

Market Conditions

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Going forward, we would draw your attention to the fact that the current financial and economic crisis has created a significant degree of uncertainty in commercial real estate markets across the world, and especially in non-core markets. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term. We would therefore recommend that the situation and the valuations are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

The Ukrainian real estate market lacks transparency by comparison with both core European and most Central and Eastern European markets. There is also a lack of detailed or long-term performance data.

Valuer

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (2012).

Independence

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total UK revenues.

It is not anticipated this situation will vary in the financial year to 31 December 2013.

We confirm that we do not have any material interest in Arricano or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and Arricano have confirmed to us that it also considers this to be the case.

Disclosure

In accordance with the Red Book we make the following disclosures:

The Expandia LLC (formerly CB Richard Ellis LLC) signatory of this report has continuously been the signatory of valuations for accounting purposes for Arricano companies since July 2011. Expandia LLC has continuously been carrying out valuations for accounting purposes for Arricano companies since July 2011.

Responsibility

For the Purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.56G of the Prospectus Rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Reliance

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation Standards or the incorporation of the special assumptions referred to herein.

Yours faithfully

GRAHAM HUGHES MRICS

Executive Director

RICS Registered Valuer

For and on behalf of

CBRE Ltd

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Yours faithfully

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SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have carried out our work based upon information supplied to us by Arricano, which we have assumed to be correct and comprehensive.

We have been provided with copies of Due Diligence Reports by:

Legal: Baker & McKenzie Project Gallery Legal Review report (Final Report) dated 31 July 2013.

We note that there are a number of discrepancies between the Legal review report and the tenancy data provided by Arricano.

We have not been provided with:

Technical due diligence reports: we requested but were not provided with technical due diligence reports for the Properties in the portfolio. We understand that no such reports have been commissioned. Our valuations will be subject to amendment should the Properties not be free from defect.

Environmental due diligence reports: we requested but were not provided with environmental due diligence reports for the Properties in the portfolio. We understand that no such reports have been commissioned. Our valuations will be subject to amendment should the Properties not be free from contamination or other environmental issues.

Other:

- We requested but were not provided with details of recoverable and non-recoverable operating costs by tenant.

The Properties

Our report contains a brief summary of the properties details on which our valuation has been based.

Inspection

We have inspected the Properties as follows (latest inspection dates). All the Properties held for Investment have been inspected internally.

Property	CBRE Ltd	Expandia LLC
Current Portfolio		
Sky Mall	16 April 2013	2 July 2013
RayON	16 April 2013	12 June 2013
City Mall	-	26 February 2013
South Gallery (Intermall)	-	12 December 2012
Sun Gallery	-	18 February and 8 August 2013
Acquisition Properties		
Lukyanovka	21 August 2012	11 June 2013
Petrivka	20 August 2012	18 April and 28 July 2013
Prospect / Krasnotkatska	16 April 2013* / 19 August 2012	13 June 2013
Odesa	-	19 February 2013

*from public roads.

Areas

We have not measured the Properties but have relied upon the floor areas provided. We have not checked these on site.

We have relied upon the floor areas given in the tenancy schedules provided, which Arricano advise us are correct. In some cases these differ significantly from the areas in the leases summarised in the Legal Review Report; our valuations will be subject to amendment should the tenancy schedule areas be inaccurate.

The RICS Code of Measuring Practice does not apply to Ukraine. Unless advised specifically to the contrary, we have made the Assumption that the floor areas supplied to us have been calculated in accordance with local practice as appropriate. All areas quoted in this Valuation Report are approximate.

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Town Planning

We have not undertaken planning enquiries.

Titles, Tenures and Lettings

Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Introduction

An Assumption is defined in the Red Book Glossary and Appendix 3 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

Arricano has confirmed and we confirm that our Assumptions are correct as far as Arricano and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

Capital Values

Each valuation has been prepared on the basis of "Fair Value", which is defined as:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Taxation, Costs and Realisation Costs

As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

Our valuations reflect purchasers' statutory and other normal acquisition costs.

VAT

We have not been advised whether the properties are elected for VAT.

All rents and capital values stated in this report are exclusive of VAT.

Passing Rent

Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rent exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.

Net Annual Rent

Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer:

(i) ignoring any special receipts or deduction arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

Estimated Net Annual Rental Value

The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

Lease Expiries

Fixed-term leases frequently incorporate either tenants' options to extend or tenants' break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.

Any weighted average unexpired terms indicated in our Valuation report reflect these assumptions.

The Properties

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Energy Performance Certificates

We have assumed that the Properties possess current Energy Performance Certificates as required under Government Directives.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Properties are free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

Appendix A: Schedule of Properties

Country	Property Name	Address	Tenure
Properties Held for Investment			
Ukraine	Sky Mall, Phase I and II	2T Henerala Vatutina Avenue, Kiev (Kyiv)	Buildings: owned by Prisma Beta LLC (Assofit subsidiary) Land: land lease held by Dniprovska Prystan PrJSC (Assofit subsidiary)
Ukraine	RayON	4 Lavrukhina Street, Kiev (Kyiv)	Buildings: owned by Livoberezhzhiainvest PrJSC Land: land lease held by Livoberezhzhiainvest CJSC
Ukraine	City Mall	1B Zaporizka Street, Zaporizhzhya	Buildings: owned by Prisma Alfa LLC Land: (1) owned by Prisma Alfa LLC, (2) land lease held by Prisma Alfa LLC, (3) 2 servitudes.
Ukraine	South Gallery	189 Kyivska Street, Simferopol	Buildings: owned by Grandinvest PrJSC Land: held by Voyage Krym LLC, a wholly-owned subsidiary of Grandinvest PrJSC.
Ukraine	Sun Gallery	1 30-Richchya Peremogy Square, Kryvyy Rih	Buildings: owned by UkrPanGroup PrJSC Land: land lease held by UkrPanGroup PrJSC

Country	Property Name	Address	Tenure
Property Held for Development			
Ukraine	Sky Mall, Phase III	2T Henerala Vatutina Avenue, Kiev (Kyiv)	Land: land lease held by Dniprovska Prystan PrJSC (Assofit subsidiary)

Country	Property Name	Address	Tenure
Property held in the Course of Development			
Ukraine	South Gallery, Phase II	189 Kyivska Street, Simferopol	Land: held by Voyage Krym LLC, a wholly-owned subsidiary of Grandinvest PrJSC.

Note: further detail on tenure is provided in Appendix B.

Appendix B: Properties Details

Property Details: Properties held for Investment

Property	Description, Age and Tenure	Tenancy	Passing Rent Per Annum	Fair Value (100%)
Sky Mall, Phase I and II, Kiev	Shopping and entertainment centre located on the left bank of Kiev c. 10 km from the city-centre, with a gross leasable area of 68,090 sqm (some 250 units). Phase I (hypermarket and small retail units) completed and opened in 2007, Phase II (main mall, multiplex cinema and entertainment units) August 2010. The buildings are owned by Prisma Beta LLC which is 100% owned by Assofit Holding Ltd in which Arricano Real Estate LLC own 49.97%. The land plots are held on a land lease by Dniprovska Prystan PrJSC, which is 99.9% owned by Assofit Holdings Limited.	Anchor tenants include Auchan / Furshet JV (hypermarket), Comfy (electrical / electronics goods) and Inditex Group (Zara, Pull&Bear and other brands). Other international brands, generally represented by franchisees, include Benetton, Jysk, Mango, Marks & Spencer, Mothercare, Mexx, New Look and Top Shop. Current vacancy is c. 5.6% by GLA. Lease terms vary, with many also being subject to break clauses.	$22,677,335 Excluding turnover rents, mall income and other miscellaneous incomes; prior to deduction of any non-recoverable costs.	$193,400,000
RayON, Kiev	Shopping centre located on the left bank of Kiev, c. 14 km from the city-centre, with a gross leasable area of 24,181 sqm (c. 70 units). Competed and opened in August 2012 (hypermarket July 2012). The buildings are owned by Livoberezhzhiainvest PrJSC and the land plots are held on a lease by Livoberezhzhiainvest CJSC.	Anchor tenants include Silpo and Comfy (electronics). Predominantly domestic or regional brands; international brands include Mothercare and Yves Rocher. Current vacancy is c. 4.1% by GLA. Lease terms vary, with many also being subject to break clauses.	$8,995,008 Excluding turnover rents, mall income and other miscellaneous incomes; prior to deduction of any non-recoverable costs.	$64,500,000
City Mall, Zaporizhzhya	Shopping centre located c. 3 km south of the city-centre, with gross leasable area of 21,463 sqm, (some 70 units). Hypermarket completed and opened in 2008, mall in April 2011. The buildings are owned by Prisma Alfa LLC. The land ownership is held under 4 plots which are part owned, part leased and part held by servitude by Prisma Alfa LLC.	Anchor tenants are Auchan / Furshet JV and Comfy. Predominantly domestic or regional brands. Current vacancy is c. 0.1% by GLA. Lease terms vary, with many also being subject to break clauses.	$4,402,435* Excluding turnover rents, mall income and other miscellaneous incomes; prior to deduction of any non-recoverable costs. *as at 1 July 2013.	$36,200,000

CBRE

Property	Description, Age and Tenure	Tenancy	Passing Rent Per Annum	Fair Value (100%)
South Gallery, Simferopol Phase I	Shopping centre located c. 5.5 km north of the city-centre, with 13,106 sqm (c. 35 units). Completed and opened in December 2010. The buildings are owned by Grandinvest PrJSC in which we understand the Company has a 99.9% holding. The land is held by Voyage Krym LLC, a wholly-owned subsidiary of Grandinvest PrJSC.	Anchors are Furshet (hypermarket; space partly sub-let) and Comfy. Predominately domestic or regional brands. Current vacancy is c. 0.5% by GLA. Lease terms vary, with many also being subject to break clauses.	$1,753,947 Excluding turnover rents, mall income and other miscellaneous incomes; prior to deduction of any non-recoverable costs.	$14,300,000
Sun Gallery, Kryvyy Rih	Shopping and entertainment centre located c. 6.5 km from the city-centre, with c. 35, 572 GLA (c. 120 units). Completed and opened in 2008. The Buildings are owned by UkrPanGroup PrJSC who also hold the land under lease from Kryvyi Rih City Council. We understand the Company holds a 99.9% stake in UkrPanGroup PrJSC.	Anchors tenants are Auchan / Furshet JV and Comfy. Predominately domestic or regional brands, international brands (represented by franchisees) include New Yorker, Accessorize, Puma and Yves Rocher. Current vacancy is c. 3.7% by GLA. Lease terms vary, with many also being subject to break clauses.	$4,001,898* Excluding turnover rents, mall income and other miscellaneous incomes; prior to deduction of any non-recoverable costs. *including short-term increased rent for hypermarket.	$27,200,000

CBRE

Property Details: Property held for Non Specialised Development

Property	Description, Tenure and Planning Status	Key Valuation Assumptions	Site Area sq m	Fair Value (100%)
Sky Mall, Phase III, Kiev	Proposed extension of the existing shopping and entertainment centre consisting of a retail gallery, leisure element, food court and a car show room. Proposed lettable area 46,510 sqm. Planning status: The land plots are held on a land lease by Dniprovska Prystan PrJSC, which is 99.9% owned by Assofit Holdings Limited. Arricano Real Estate own 49.99% of Assofit Holdings Limited.	Gross Development Value: c.$121,000,000 Estimated Outstanding Costs to Completion (exc. finance): c.$74,500,000 Timescale: pre-construction 12 months, construction 18 months.	C. 70,000 (provisional apportionment with the phases I and II as a part of the entire site of 179,100 sq m)	$12,200,000

Property Details: Property in the Course of Non Specialised Development

Property	Description, Development Status and Tenure	Key Valuation Assumptions	Site Area sq m	Fair Value (100%)
South Gallery, Simferopol Phase II	The development of an extension to the existing shopping centre; construction started in April 2012 from the latest photographic evidence provided structure and roof are in place. Proposed lettable area 19,662 sqm. The land is held by Voyage Krym LLC, a wholly-owned subsidiary of Grandinvest PrJSC.	Gross Development Value: c.$33,800,000 Estimated Outstanding Costs to Completion (exc. finance): c.$12,800,000 Timescale: construction (remaining) 9 months	C. 60,000 (provisional apportionment with the phase I as a part of the entire site of 102,000 sq m)	$16,400,000

NOTE: The information provided above on tenure is as supplied to us and reproduced in order to provide guidance as to the level of ownership held in each asset. CBRE Ltd have provided each valuation above on the basis of 100% ownership. Verification as to the extent of the Company's ownership of the various subsidiary and holding entities is the responsibility of the legal due diligence process.

CBRE

Appendix C: Acquisition Properties Details

Property Details: Property held for Non Specialised Development

Property	Description, Tenure and Planning Status	Key Valuation Assumptions	Site Area sq m	Fair Value (100%)
Lukyanovka (5-7, 7a Degtyarivska / 12a, 12 Kopernika Streets, Kiev)	Shopping and entertainment centre development scheme, with residential component, c. 4 km west of Kiev city centre. Proposed lettable area shopping and entertainment centre c. 47,051 sqm; proposed saleable area residential building c. 5,029 sqm. Planning Status: building consent granted. There are two historic listed buildings on site, to be retained, together with the Kiev Small Opera house, to be fully refurbished but retained in municipal ownership. Existing buildings on site owned by Retail Real Estate S.A. (RRE) subsidiary, which holds the land on a lease from Kiev City Council.	Gross Development Value: c.$173,900,000 Estimated Outstanding Costs to Completion (exc. finance): c.$101,000,000 Timescale: pre-construction 12 months, construction 18 months. (residential) and 21 months (shopping and entertainment centre)	c. 4.14 ha	$28,700,000
Petrivka (Layosha Havra Street / Moskovskyy Avenue, Kiev)	Development site c. 6 km north-west of Kiev city centre. Scheme details not yet determined. Planning Status: building consent not yet applied for. The land is held on a lease by a subsidiary of RRE.	Gross Development Value: c.$160,400,000 Estimated Outstanding Costs to Completion (exc. finance): c.$101,500,000 Timescale: pre-construction 12 months, construction 42 months. (Valuation scenario assumes residential and office development.)	c. 5.4 ha	$7,500,000
Odesa Mall (Rozumovska Street, Balkivska Street and Serednya Street, Odessa)	Proposed shopping centre development c. 2.5 km from city centre, to provide c. 38,000 sqm GLA. Planning Status: building consent not yet applied for. Existing buildings on the site are owned by a subsidiary of RRE and it is understood an application has been submitted to Odessa City Council for allocation of the land plots totalling 4.53 ha. The scheme envisages the incorporation of a further plot (in 3rd party ownership) of 0.144 ha.	Gross Development Value: c.$94,200,000 Estimated Outstanding Costs to Completion (exc. finance): c.$59,400,000 Timescale: pre-construction 12 months, construction 21 months.	4.53 ha + 0.144 ha On the assumption that the vendor is able to convey clean title to all the land envisaged (4.6492 ha) for the proposed scheme.	$10,900,000

CBRE

Property Details: Property in the Course of Non Specialised Development

Property	Description, Development Status and Tenure	Key Valuation Assumptions	Site Area sq m	Fair Value (100%)
Prospect / Krasnotkatska (Chervonogvardiyska / Chervonotkatska Streets, Kiev)	Shopping and entertainment centre development; construction started in September 2012 and the main structure is now raised to 1st floor. To provide c. 30,431 sqm GLA (exc. hypermarket). Located on the left bank of Kiev, c. 11 km from the city centre. There is also a contract in place with a hypermarket operator to construct a hypermarket (with associated ancillary space and parking) attached to the centre, the ownership of which will transfer to the operator on completion of the building. We understand the building constructions are owned by a subsidiary of RRE, which holds the land on a lease from Kiev City Council.	Gross Development Value: c.$79,400,000* Estimated Outstanding Costs to Completion (exc. finance): c.$32,900,000* Timescale: construction (remaining) 18 months *Excluding hypermarket.	c. 5.79 ha (including land under hypermarket)	$29,800,000

NOTE: The information provided above on tenure is as supplied to us and reproduced in order to provide guidance as to the level of ownership held in each asset. CBRE Ltd have provided each valuation above on the basis of 100% ownership. Verification as to the extent of the Company's future ownership of the various subsidiary and holding entities is the responsibility of the legal due diligence process.

CBRE

PART XIV

Additional Information

1. RESPONSIBILITY STATEMENTS

1.1 The Company, the registered office of which appears on page 9 of this document and the Directors of the Company, whose names appear on page 9 of this document, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Expandia LLC (part of the CBRE affiliate network) and CBRE Ltd accept responsibility for their report set out in Part XIII of this document. To the best of the knowledge of Expandia LLC and CBRE Ltd, who have taken all reasonable care to ensure that such is the case, the information contained in their report is in accordance with the facts and does not omit anything likely to affect its import of such information.

2. THE COMPANY

2.1 The Company was incorporated and registered in Cyprus on 31 January 2008 under the Companies Law, Cap 113 of Cyprus as a limited liability company with shares and with registered number HE 221186. On 12 September 2012, Arricano Trading Limited was re-registered as a public company under the Companies Law, Cap 113 of Cyprus and changed its name to Arricano Real Estate plc.

2.2 The Company's registered office is Arch. Makariou III 195, Neocleous House, P.C. 3030, Limassol, Cyprus. The Company does not have a place of business in the United Kingdom. Accordingly, transactions in Ordinary Shares will not be subject to the provisions of the City Code.

2.3 The liability of the members of the Company is limited.

2.4 The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Companies Law, Cap 113 of Cyprus, as amended.

2.5 The Company's corporate website, at which the information required by Rule 26 of the AIM Rules can be found, is www.arricano.com. The Company can be contacted on the following telephone number: +380 44 569 6708.

2.6 As at the date of this document, the Company has five subsidiaries in Cyprus, nine subsidiaries in Ukraine and one subsidiary in the Isle of Man, owned directly or indirectly, particulars of which are set out below.

Name	Registered Office	Country of Incorporation	Share Capital	Ownership by the Company (direct and indirect)	Principal Activity
Museo Holdings Limited	Arch. Makariou & Kalograion 4, Nicolaides Sea View City, 9th floor, off. 903-904, Block A-B, P.C. 6016, Larnaca, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding company
Sunloop Co Limited	Arch. Makariou & Kalograion 4, Nicolaides Sea View City, 9th floor, off. 903-904, Block A-B, P.C. 6016, Larnaca, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding company
U.A. Terra Property Management Limited	Arch. Makariou & Kalograion 4, Nicolaides Sea View City, 9th floor, off. 903-904, Block A-B, P.C. 6016, Larnaca, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding company
Praxifin Holdings Limited	Arch. Makariou & Kalograion 4, Nicolaides Sea View City, 9th floor, off. 903-904, Block A-B, P.C. 6016, Larnaca, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding company
Beta Property Management Limited	Arch. Makariou & Kalograion 4, Nicolaides Sea View City, 9th floor, off. 903-904, Block A-B, P.C. 6016, Larnaca, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% indirectly through Lacecap Limited (an Isle of Man company)	Financing
Livoberezhz hiainvest PrJSC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 550,000 (equivalent to US$68,750)	holds 100% indirectly through Praxifin Holdings (Cyprus)	Real estate ownership and operational activity
Grandinvest PrJSC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 550,000 (equivalent to US$68,750)	holds 99.9% indirectly UA Terra Property Management Limited (Cyprus) and 0.1% indirectly through Arricano Property Management LLC (Ukraine)	Real estate ownership and operational activity
UkrpanGroup PrJSC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 468,750 (equivalent to US$58,594	holds 99.9% indirectly through Museo Holdings Limited (Cyprus) and 0.1% indirectly through Mr. Pinchuk Michaylo Olexandrovych (Ukraine)	Real estate ownership and operational activity

Name	Registered Office	Country of Incorporation	Share Capital	Ownership by the Company (direct and indirect)	Principal Activity
Arricano Development LLC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 75,000 (equivalent to US$9,375)	holds 99% directly and 1% indirectly through Arricano Property Management	Management of development processes in relation to all development projects
Arricano Property Management LLC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 40,000 (equivalent to US$5,000)	holds 99% indirectly through U.A. Terra Property Management (Cyprus) and 1% indirectly through Grandinvest PrJSC (Ukraine)	Project design
Arricano Real Estate LLC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 1,000 (equivalent to US$125)	holds 100% directly	Management company
Prisma Alfa LLC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 35,000 (equivalent to US$4,375)	holds 100% indirectly through Sunloop Co Limited (Cyprus)	Real estate ownership and operational activity
Voyage–Krym LLC	95493, Simferopil, Kyivska Street, Shopping Centre, Yuzhnaya Gallereia, Build 189, unit 184	Ukraine	UAH 2,900,000 (equivalent to US$362,500)	holds 100% indirectly through Grandinvest PrJSC (Ukraine)	Developing the South Gallery project
Prisma Development LLC	01032, Kyiv, Taras Shevchenko boul., 33, 14th floor	Ukraine	UAH 35,708 (equivalent to US$4,463)	holds 100% indirectly through Arricano Development LLC (Ukraine)	Management of development processes in relation to all development projects
Lacecap Limited	International House, Castle Hill, Victoria Road, Douglas, Isle of Man, IM2 4RB	Isle of Man	£2,000 (equivalent to US$3,245)	holds 100% directly	Financing

2.7 The Company also directly holds an equity interest in one Cyprus company and three Ukrainian companies, the particulars of which are set out below.

Name	Registered Office	Country of Incorporation	Share Capital	Ownership by the Company (direct and indirect)	Principal Activity
Assofit Holdings Limited	2 Diagorou, Era House, 10th floor, 1097 Nicosia, Cyprus	Republic of Cyprus	EUR 3,200	holds 49.97%* directly	Holding company
Prisma Beta LLC	02660, Kyiv, General Vatutin prospect., 2T	Ukraine	UAH 35,000 (equivalent to US$4,375)	Assofit Holdings Limited (Cyprus) holds 100%	Real estate ownership and operational activity

*According to the public records at the Cyprus Registrar of Companies as at 26 July 2013

Name	Registered Office	Country of Incorporation	Share Capital	Ownership by the Company (direct and indirect)	Principal Activity
Sator Invest LLC	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 40,000 (equivalent to US$5,000)	Assofit Holdings Limited (Cyprus) holds 99% and Dniprovska Prystan holds 1%	Intended to be a project company, but not currently conducting business
Dniprovska Prystan PrJSC(1)	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 272,200 (equivalent to US$34,025)	Assofit Holdings Limited (Cyprus) holds 99.9% and Mr. Pinchuk Michaylo Olexandrovych (Ukraine) holds 0.1%	Building contractor

Note:

(1) Dniprovska Prystan is currently subject to bankruptcy proceedings. See paragraph 9 below, "Litigation".

2.8 Pursuant to the Share Purchase Agreements with Vunderbuilt dated 5 September 2013, the following companies will become the Company's subsidiaries subject to Admission.

Name	Registered Office	Country of Incorporation	Share Capital	Ownership by the Company (direct and indirect)	Principal Activity
Wayfield Limited	Thenistokli Dervi 3, JULIA HOUSE, P.C. 1066 Nicosia, Cyprus	Republic of Cyprus	ISSUED: US$3,877 NOMINAL: US$14,385	holds 100% directly	Holding Company
Sapete Holding Limited	Arch. Makariou III 195, NEOCLEOUS HOUSE, P.C. 3030, Limassol, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding Company
Gelida Holding Limited	Arch. Makariou III 195, NEOCLEOUS HOUSE, P.C. 3030, Limassol, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding Company
Twible Holdings Limited	Arch. Makariou III 195, NEOCLEOUS HOUSE, P.C. 3030, Limassol, Cyprus	Republic of Cyprus	EUR 2,000	holds 100% directly	Holding Company
Budkhol Limited Liability Company	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 500 (equivalent to US$62.50)	holds 100% indirectly through Wayfield Limited (Cyprus)	Developing the Lukianivka Project
Vektor Capital Limited Liability Company	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 40,000 (equivalent to US$5,000)	holds 100% indirectly through Sapete Holding Limited (Cyprus)	Developing the Rozumovska (Odesa) Project
Mezokred Holding Limited Liability Company	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 1,484,137 (equivalent to US$185,517)	holds 100% indirectly through Gelida Holding Limited (Cyprus)	Developing the Petrivka Project

Name	Registered Office	Country of Incorporation	Share Capital	Ownership by the Company (direct and indirect)	Principal Activity
Comfort Market Lux Limited Liability Company	01032, Kyiv, Taras Shevchenko boul., 33, 13th floor	Ukraine	UAH 40,000 (equivalent to US$5,000)	holds 100 % indirectly through Twible Holdings Limited (Cyprus)	Developing the Prospect/ Krasnotkatska project

3. SHARE CAPITAL

3.1 The Company was incorporated with an authorised and issued share capital of EUR 2,000 divided into 2,000 Ordinary Shares of EUR 1.00 each, of which 2,000 shares were issued fully paid to the subscribers to the Company's memorandum of association.

3.2 The following alterations to the share capital of the Company have taken place in the period from the date of incorporation of the Company to the date of this document:

3.2.1 On 10 September 2010, the authorised share capital of the Company was increased to EUR 3,077 divided into 3,077 Ordinary Shares each with a nominal value of EUR1.00.

3.2.2 On 11 November 2010, the authorised share capital of the Company was increased to EUR 6,462 divided into 6,462 Ordinary Shares each with a nominal value of EUR1.00.

3.2.3 On 29 August 2012, the authorised share capital of the Company was increased to EUR32,310 divided into 32,310 Ordinary Shares each with a nominal value of EUR1.00.

3.2.4 On 12 September 2012, the authorised share capital of the Company was subdivided into 3,231,000 Ordinary Shares each with a nominal value of EUR0.01 and the authorised share capital of the Company was further increased to EUR42,513.16 divided into 4,251,316 Ordinary Shares.

3.2.5 On 19 September 2012, the authorised share capital of the Company was further subdivided into 85,026,320 Ordinary Shares each with a nominal value of EUR0.0005.

3.2.6 On 23 May 2013, 20,406,309 Ordinary Shares that had been issued in respect of an aborted capital raising were forfeited by the relevant parties and held for reissue by the Company.

3.2.7 On 20 July 2013, the authorised share capital of the Company was further increased to EUR53,000 divided into 106,000,000 Ordinary Shares each with a nominal value of EUR0.0005.

3.3 All of the Company's issued share capital as at the date of this document is fully paid. The table below sets out the authorised and issued and fully paid share capital of the Company as at the date of this document:

	Authorised		*Issued and Fully Paid*	
	Number of Ordinary Shares	*Aggregate nominal value*	*Number of Ordinary Shares*	*Aggregate nominal value*
As at the date of this document	106,000,000	EUR53,000	64,620,000	EUR32,310

3.4 The table below sets out the authorised and issued and fully paid share capital of the Company as it will be following the issue of the Placing Shares and the Acquisition Shares and immediately following Admission:

	Authorised		Issued and Fully Paid	
	Number of Ordinary Shares	*Aggregate nominal value*	*Number of Ordinary Shares*	*Aggregate nominal value*
On Admission	106,000,000	EUR53,000	103,270,637	EUR51,635

3.5 Other than the Placing Shares and the Acquisition Shares, there are no outstanding convertible securities (for loan or share capital) of the Company, or proposed to be issued or under option or agreed, conditionally or unconditionally, to be put under option.

3.6 There are no Shares of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.7 As at the date of this document, the Company holds 20,406,309 Ordinary Shares as treasury shares.

4. ARTICLES OF ASSOCIATION

The current Articles were adopted on 12 September 2012 and contain provisions, *inter alia*, to the following effect:

4.1 ***Objects***

4.1.1 The Company's main objects are to carry on:

(a) the business of a holding and an investment holding company with its own funds;

(b) in any part of the world, activities of business consultants and management consultants; and

(c) either alone or in common with others, in any part of the world, the business of commerce, general trade works or the trading of goods.

4.2 ***Rights attaching to Ordinary Shares***

4.2.1 *Issue of Shares*

Any original unissued and not allotted Shares and any new Shares to be created shall be at the disposal of the Board which has the right, subject to any preemption rights imposed by the Articles or the Cyprus Companies Law, to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

4.2.2 *Preemption rights*

Under the Cyprus Companies Law and subject to any direction to the contrary given by a resolution sanctioning an increase of the Company's share capital, all new Shares in the Company issued for cash consideration must be offered in the first instance to the Shareholders on a certain date (as determined by the Board) in proportion to their participation in the share capital of the Company.

4.2.3 *Voting rights*

Each Shareholder is entitled to attend and vote in person or by proxy and, where the Shareholder is a corporation, by a duly authorised representative at meetings of Shareholders or classes thereof.

(a) On a show of hands every Shareholder present in person is entitled to one vote and on a poll every Shareholder present in person or by proxy is entitled to one vote for every Share of which he or she is the holder of.

(b) When two or more persons hold the same Share jointly, the more senior Shareholder, which seniority is determined by the order in which the name of the Shareholder stands in the register of members, may vote the joint Share to the exclusion of the other joint holder(s).

(c) No Shareholder is entitled to vote at any general meeting unless all calls and other amounts payable by him or her in respect of Shares have been fully paid.

(d) A Shareholder can appoint more than one proxy to vote for such part of the Shareholder's shares as the Shareholder shall designate in the instrument appointing the relevant proxy. Under the Cyprus Companies Law, proxy holders are entitled to participate and vote at general meetings.

4.2.4 *Dividends*

(a) The Company may declare dividends in a general meeting, but no dividend shall exceed the amount recommended by the Directors. The Directors have no right to declare a dividend and shall only have the ability to recommend the payment of a dividend pursuant to the Shareholders' approval.

(b) The Directors may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company.

(c) No dividend shall be paid otherwise than out of profits.

(d) Any dividends declared and paid on shares by the Company shall be apportioned and paid proportionately to the extent such shares are paid for or credited as paid for during any part(s) of the period in respect of which the dividend is paid.

4.2.5 *Variation of class rights*

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of two thirds of the issued shares of that class or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. The provisions of the Articles relating to general meetings shall apply to every such meeting of the holders of a class of shares, except that the necessary quorum shall be two persons at least holding or representing by proxy one third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

4.2.6 *Alterations to capital*

(a) The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into Shares of such amount, as the resolution shall prescribe.

(b) The Company may by ordinary resolution:

(i) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

(ii) subdivide its existing Shares, or any of them, into Shares of a smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Cyprus Companies Law; and

(iii) cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

(c) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner with, and subject to, any incident authorised, and consent required, by law.

4.2.7 *Appointment of Directors*

The Shareholders may appoint Directors by an ordinary resolution.

4.3 ***Shares held in CREST***

Nothing in the Articles shall preclude any share or other security of the Company (or interests in such share or security) from being issued, held, registered, converted, transferred or otherwise dealt with in an uncertificated form in accordance with the Uncertificated Regulations and the CREST Rules or any other relevant system operated pursuant to the Uncertificated Regulations or any other equivalent applicable rules of any other stock exchange.

4.4 ***Depositary Interests***

The Directors shall, subject always to the Cyprus Companies Law, any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and the Articles, have the power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to (without limitation) the evidencing of title to and transfer of depositary or similar interests in Shares in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the Shares represented thereby. The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements including, without limitation, treating holders of any depositary or similar interests relating to Shares as if they were the holders directly thereof for the purposes of compliance with any obligations imposed under the Articles on Shareholders.

4.5 ***Disclosure of interests in Shares***

For as long as the Shares of the Company are admitted to trading on AIM:

(a) the provisions of Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority (as amended from time to time) ("DTR5") relating to the requirement of Significant Shareholders to disclose to the Company any Relevant Changes to their holding of Shares, shall be deemed to be incorporated by reference into the Articles and shall be binding on the Company and its members;

(b) notwithstanding the time limits for disclosure and notification requirement set out in DTR5, the Company is required by Rule 17 of the AIM Rules ("Rule 17") to notify such information "without delay" and the information required to be released pursuant to Rule 17 must be notified by the delivery of an announcement to a Regulatory Information Service for distribution to the public rather than "made public" under DTR5; and

(c) for the purposes of applying DTR5 to the Company and to each member, the Company shall be deemed to be an "issuer" and not a "non-UK issuer" (as such terms are defined in DTR5).

A Significant Shareholder shall notify the Company of any Relevant Changes to the percentage of his voting rights without delay.

For the purposes of the Articles, a person shall be treated as interested in Shares if he or she would be treated as being interested in such Shares under the City Code, if it applied to the Company, and interests in Shares shall be construed accordingly.

4.6 ***Distribution of assets on a winding-up***

If the Company is wound up, the liquidator may:

(a) with the sanction of an extraordinary resolution passed by Shareholders of the Company, divide amongst the Shareholders *in specie* or in kind the whole or any part of the property of the Company;

(b) for that purpose set a value that the liquidator considers fair on any property to be so divided; and

(c) decide how the division is to be carried out between the Shareholders or different classes of Shareholders.

4.7 ***Purchase of own shares***

Under Cyprus law there are restrictions and limitations on the Company's ability to repurchase its own Shares, which make it difficult to predict whether the Company will ever be in a position to repurchase its own Shares, once issued.

4.8 ***Transfers of Shares***

4.8.1 Nothing precludes the transfer of Shares or other securities of the Company in uncertificated form and any references contained in the Articles in relation to the execution of any instrument of transfer or the registration of any transfer of Shares or other securities of the Company in uncertificated form shall be read in accordance with the terms of regulation providing for the transfer of Shares or other securities of the Company in uncertificated form.

4.8.2 The Board may, without giving any reason, refuse to register the transfer of a Share that is not fully paid or on which the Company has a lien.

4.8.3 The Board may also refuse to register the transfer of a Share unless the instrument of transfer:

(a) is lodged, duly stamped, at the office or at such other place as the Board may appoint accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of shares; and

(c) is in favour of not more than four transferees.

4.8.4 If the Board refuses to register the transfer, it shall within two months after the date on which the instrument of transfer was lodged with the Company send to the transferee notice of the refusal.

4.9 ***Borrowing powers***

The Directors may exercise all of the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

4.10 ***Directors***

4.10.1 *Number of Directors*

There shall be a minimum of two Directors and there shall be no maximum number of Directors. The Company may by ordinary resolution increase or decrease the number of Directors.

4.10.2 *Appointment of Directors*

The appointment of any new Directors, either to fill a casual vacancy or as an addition to the existing Directors, shall be made as follows:

(a) by ordinary resolution to appoint any person as director and determine the period for which such person is to hold office; and

(b) the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board.

4.10.3 *Conflict of interests*

(a) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company must declare the nature of his or her interest at a meeting of the Directors.

(b) No member of the Board may vote in respect of any contract or proposed contract or arrangement in which he or she may be interested and if he or she does so his or her vote will not be counted and he or she may not be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

(c) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his or her office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his or her office from contracting with the Company, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be voided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.

(d) Any Director may act by himself/herself or his or her firm in a professional capacity for the Company, and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director.

4.10.4 *Remuneration of Directors*

No Director shall be involved in the decision-making process concerning his or her own remuneration and the members of the Company shall approve the remuneration of all the members of the Board.

4.11 ***Directors' indemnity***

Every Director or other officer of the Company will be indemnified out of the assets of the Company against any losses or liabilities which he or she may sustain or incur in or about the execution of his or her duties, including liability incurred by him or her in defending any proceedings, whether civil or criminal in which judgment is given in his or her favour or in which he or she is acquitted or in connection with any application under section 383 of Cyprus Companies Law in which relief is granted to him or her by the court and no Director or officer of the Company shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto. However, such indemnity will only have effect insofar as its provisions are not avoided by section 197 of the Cyprus Companies Law.

4.12 ***Board of Directors***

The Board may regulate its proceedings as it thinks fit:

(a) The Directors may meet together or convene a telephone conference for the dispatch of business and adjourn and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes.

(b) In case of an equality of votes, the chairman shall have a second, or casting, vote.

(c) The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, the quorum is at least two Directors attending in person or through the telephone or otherwise.

(d) The Board may appoint one of their members to be the chairman, and one of their member to be the deputy chairman, of the Board and may at any time remove either of them from such office. Unless he or she is unwilling to do so, the Director appointed as chairman, or in his or her stead the Director appointed as deputy chairman, shall preside at every meeting of the Board at which he or she is present. If there is no Director holding either of those offices, or if neither the chairman nor the deputy chairman is willing to preside or neither of them is present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.

4.13 ***Directors' powers***

4.13.1 The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company that are not, under the Cyprus Companies Law or under the Articles, required to be exercised by the Company in general meeting, subject to the provisions of the Cyprus Companies Law and to such regulations, but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

4.13.2 The Board shall maintain a healthy system of internal controls in order to safeguard members' investments and the Company's assets.

4.13.3 The Board may delegate any of its powers to any committee consisting of one or more Directors. The Board may also delegate to any Director holding any executive office such of its powers as the Board considers desirable to be exercised by him or her.

4.13.4 The Directors may at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authority and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit.

4.13.5 Each Director shall have power from time to time to nominate another Director or any person, not being a Director, to act as his or her alternate Director and at his or her discretion to remove such alternate Director.

4.14 ***General meetings of Shareholders***

4.14.1 Each year the Company shall hold an annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held at such time and place as the Directors shall appoint.

4.14.2 General meetings, annual and extraordinary, may be held via a telephone communication or through any other means of communication that allows all persons participating in the general meeting to hear and be heard.

4.14.3 The Directors may, whenever they think fit, convene an extraordinary general meeting, and such extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such Shareholders, as provided by section 126 of the Cyprus Companies Law.

4.15 ***Authority to allot Shares***

Any original unissued and on allotted Shares and any new Shares to be created shall be at the disposal of the Board, which has the right, subject to any preemption rights imposed by the Articles or the Cyprus Companies Law, to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions it deems to be most beneficial to the Company.

5. DIRECTORS' INTERESTS

5.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors, their immediate family members and persons connected with them, in the Ordinary Shares and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director are and are expected to be as follows:

	Prior to the Placing and Acquisition		*Following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Increased Issued Share Capital*
Hillar Teder[1]	37,103,726	57.42%	65,883,124	63.80%

(1) Hillar Teder holds his interests principally through RRE and SRE as well as three other affiliated companies: RRE OU, Ekspert Kapital OU and Vunderbuilt. In addition, RRE holds the entire issued share capital of Weather Empire which, in turn, has an interest in 8,616,000 Ordinary Shares, representing 13.34 per cent. of the Issued Share Capital and 8.34 per cent. of the Increased Issued Share Capital.

5.2 None of the Directors are interested in options over Ordinary Shares that remain outstanding.

5.3 Save as described in paragraph 5.1 above, none of the Directors (or any member of their respective families, nor any person connected with the Directors) has any interest, beneficial or non-beneficial, in the share capital of the Company.

5.4 As at 5 September 2013, (being the latest practicable date prior to the publication of this document) insofar as is known to the Company, the persons other than the Directors who directly or indirectly hold three per cent. or more of the voting rights in respect of the total Ordinary Shares in issue, as at the date of this document and as they are expected to be immediately following Admission, are as follows:

	Prior to the Placing and Acquisition		*Following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Increased Issued Share Capital*
RRE[1, 2]	25,253,726	39.08%	25,253,726	24.45%
SRE[1]	3,228,000	5.00%	3,228,000	3.13%
DUPD[3]	12,924,000	20.00%	12,924,000	12.51%
Weather Empire[2]	8,616,000	13.34%	8,616,000	8.34%
Vunderbuilt[1]	2,000	0.00%	28,781,398	27.87%
Rauno Teder[4]	7,296,137	11.29%	7,725,321	7.48%
Jüri Põld	7,296,137	11.29%	7,296,137	7.07%

(1) Represents the principal interests of Hillar Teder.

(2) RRE holds the entire issued share capital of Weather Empire.

(3) Volodymyr Tymochko, a Director, is a director at Dragon AM, an investment managing company for DUPD.

(4) Rauno Teder is the adult son of Hillar Teder.

5.5 As at 5 September 2013, (being the latest practicable date prior to the publication of this document) save as disclosed in this paragraph 5, the Company is not aware of any person or persons who, directly or indirectly, jointly or severally, at the date of this document, or immediately following Admission, owns or controls the Company, nor is the Company aware of any arrangement that may at a subsequent date result in a change of control of the Company.

5.6 The Company's major shareholders set out in paragraph 5.4 above have the same voting rights.

5.7 No Director or member of a Director's family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

6. ADDITIONAL INFORMATION ON THE DIRECTORS

6.1 Other than their directorships of the Company or its subsidiaries, the directorships and interests in partnerships currently held by the Directors and held over the five years preceding the date of this document are as follows:

Full Name	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Patrick Rupert Cottrell	Castaway Limited Ormco plc Polygon Convertible Opportunity Fund LP Polygon Distressed Opportunity Fund LP Polygon European Equity Opportunity Fund LP Polygon Global Mining Fund LP Polygon Global Opportunity Fund LP The Protected Asset TEP Funds plc	Acacia s.a.r.l. Adams Plc (formerly Carpathian plc) Alvaro PLC A S Magnum Medical Bioseutica PLC Carpathian Properties s.a.r.l. Castletown and Derbyhaven Motorboat and Yacht Club Diamond Circle Capital plc Distribution and Logistics Infrastructure India Gumtree s.a.r.l. Infrastructure India HoldCo Infrastructure India PLC Latin American Infrastructure Fund Limited Lantina Limited Lincoln Land Germany plc Manxdale Holdings Limited New European Investments Limited Phoenix Capital Markets PLC Power Infrastructure India Roads Infrastructure India Roads Infrastructure India (Two) S.A.R.E. (Cyprus) Limited SIA Patollo South Asian Real Estate Limited Stockwell Capital PLC Sycamore s.a.r.l. T1ps Investment Management (IoM) Limited Vitol (Far East) Limited Vitol (IoM) Limited
Emil Budilovsky	None	MirLand Development Corporation Plc

Full Name	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Philip Peter Scales	A&M Overseas Limited (BVI)	ACE East Grinstead Limited
	ACE (Four) Limited	ACE Winchester Limited
	ACE Hartlepool Retail Limited	Atlal Limited
	ACE (One) Limited	Adams Plc (formerly Carpathian plc)
	ACE Peterborough Limited	Bram Hill SPV Limited
	ACE Reading Limited	Buskett Limited
	ACE (Three) Limited	Climate Exchange plc
	ACE (Two) Limited	Closepip ISA and PEP 2 plc
	Active Commercial Estates plc	Clean Energy Brazil Plc
	Aggregated Micro Power Limited	Chip (Six) Limited
	Alpha UK Multi Property Trust plc (formerly Close High Income Properties Plc)	Dayem Limited
	Argo Distressed Credit Fund Limited	EEA (IOM) Limited
	Astin CEO IOM 2007 Limited	EMCO Capital Plc
	Bamboo Investments (Isle of Man) Plc	EPIC Finance Company Limited
	Birmingham Brindleyplace Capital (General Partner) Limited	EPIC Securities Plc
	Birmingham Brindleyplace Income (General Partner) Limited	Frontier Fund plc
	BMP Resources Plc	Frontier Global Stars Fund plc
	Bram Hill Properties Ltd	GJ Events Limited
	Chip (Ipswich) One Limited	Gulf Development & Finance Limited
	Chip (Ipswich) Two Limited	Hindle Limited
	Chip (Five) Limited	India Media PLC
	Chip (Four) Limited	Infrastructure India Plc
	Chip (One) Limited	Irudnay (IOM) Limited
	Chip (Seven) Limited	Lincoln Land Germany Limited
	Chip (Three) Limited	Manxdale Holdings Limited
	Chip (Two) Limited	Mediterranean Marine (IOM) Limited
	Clean Energy Asia Limited	Neville James Zero Preference Fund plc
	Core Education Plc	Oubliette Limited
	ECM Group NV Limited	Patollo (Latvia)
	EPIC Reconstruction Property Company II Limited	Prime Rate Cash Management Funds (Isle of Man) Plc
	EPIC Reconstruction Property Company (IOM) Limited	Qabila Limited
	EPIC Structured Finance Limited	Quartet (One) Limited
	Fairdos Limited	Quartet Nominees Limited (UK)
	Faris Limited	Quartet (Two) Limited (UK)
	Frontier Commercial Property Fund plc	Residential Property Investment Portfolio Limited
	Frontier Global Real Estate Fund plc	Resipip Securities Investment Limited
	Haiser Limited	Resipip Securities Capital Limited
	Hammy Limited	
	Healthcare & Leisure Property Limited	

Full Name	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Philip Peter Scales *(cont'd)*	Hope Street Properties Limited IOMA Fund and Investment Management Limited IOMAFIM Nominees Limited IOMAFIM Nominees One Limited IOMAFIM Nominees Two Limited IOMAFIM Directors Limited JMS Estates (IOM) Limited Marriott Isle of Man Limited Paternoster Holdings Limited Paternoster Limited Property Investment Portfolio ISA and PEP Plc Property Investment Portfolio plc SEIF (IOM) Limited SEIF Global Limited SEIF Services Limited Sumaco International Limited Surya Plc Tau Capital plc TEP Asia Limited TEP (Solar Holdings) Limited TEP (Renewables Holding) Limited TEP Trading 1 Limited TEP Trading 2 Limited The Alchemy Funds (Bermuda) Ltd The Broader European Investment Fund Plc The Golden Jubilee Trust The Spitfire Funds (Bermuda) Ltd Trading Emissions (England & Wales) Limited Trading Emissions (Isle of Man) Limited Trading Emissions plc Treveria Asset Management Limited	Resipip Direct Holdings Limited Sardinella Limited SEIF Limited SEIF Limited (BVI) SEIF Services (Isle of Man) Limited Seraphim Capital Plc Tenanted Inn Estates Limited The Capital Appreciation Trust (Isle of Man) Limited The Equity Partnership Investment Company plc The Capital Appreciation Trust Limited (Guernsey) The Global Property Fund Plc TIE Midlands Limited TIE South East Limited TIE South West Limited Top Developments Plc Trinity Capital Plc
Michael Herodotou Zampelas	Alphzmart Auctions Limited Association of Friends of the Stelios Ioannou Foundation Eurobank Cyprus Limited Globaltrans Investment plc Loukia and Michael Zampelas Art Museum (a company limited by guarantee and not having share capital) M&L Zampelas Holdings Limited Zampelas Art Limited	None

Full Name	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Hillar Teder	AS Tallinna Sadam HPT Property OÜ International Baltic Investments Limited OÜ EC Autoholding OÜ Ekspert Kapital Retail Real Estate SA Weather Empire Limited	Admiraliteedi Arenduse AS AS Celia Crowd* AS Reval Auto** AS Roccal al Mare Tivoli BPTO Peterburi OÜ OÜ Auto Forte Baltic OÜ Haltron Grupp Rocca al Mare Kaubanduskeskuse AS
Volodymyr Tymochko	J Compfort Neruhomist Korona Development	None

* Hillar Teder was a director of AS Celia Crowd when it was put into members' voluntary liquidation due to a restructuring. AS Celia Crowd was a holding company of OU Reval Auto Pärnu and OU Reval Auto Kuressaare which are also in members' voluntary liquidation.

** Hillar Teder was a director of AS Reval Auto when it was put into members' voluntary liquidation due to restructuring.

6.2 Save as disclosed in paragraphs 6.1, 6.3, 9.2, 9.6 and 9.8 of this Part XIV, none of the current Directors has:

6.2.1 any unspent convictions in relation to indictable offences;

6.2.2 had a bankruptcy order made against him or made an individual voluntary arrangement;

6.2.3 been a director of a company that has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors of any company whilst he was a director of that company or within 12 months after he ceased to be a director of that company;

6.2.4 been a partner in a partnership that has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

6.2.5 had any asset belonging to him placed in receivership or been a partner in a partnership whose assets have been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or

6.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6.3 Hillar Teder was an ultimate beneficial owner of 50 per cent. of the share capital of A-Beton LLC. Due to liquidity problems at the time of the financial crisis in 2008/2009, A-Beton LLC went into insolvency. The liquidation procedure has now completed.

6.4 The business address of each Director is the Company's registered office.

6.5 No Director has or has had any interest, whether direct or indirect, in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was effected during the Company's current or immediately preceding financial year, or which was effected during any earlier financial year of the Company and remains in any respect outstanding or unperformed.

6.6 No loans or guarantees have been granted or provided to or for the benefit of the Directors by the Company.

6.7 Other than is detailed in paragraph 14 of this Part XIV, there have been no transactions entered into with a Director or someone related to a Director.

7. DIRECTORS' SERVICE AND CONSULTANCY AGREEMENTS AND EMOLUMENTS

7.1 The Directors have entered into service or consultancy agreements with the Company as follows:

- Rupert Cottrell is currently a Director of the Company, holding the position of Non-Executive Chairman pursuant to the terms of a letter of appointment dated 5 September 2013. The fee payable to Mr. Cottrell (monthly in arrears) is EUR60,000 per annum. Either party may terminate the appointment upon three months' written notice, without payment of compensation other than accrued fees and expenses to which Mr. Cottrell is entitled to be reimbursed. The letter also contains provisions for immediate termination upon written notice without payment of compensation upon the occurrence of a number of events, such as Mr. Cottrell committing any serious or repeated breach or the non observance of Mr. Cottrell's obligations to the Company. Mr. Cottrell's appointment is subject to the Company's Articles and the usual rules on the rotation of directors.

- Emil Budilovsky is currently a Director of the Company, holding the position of Chief Executive Officer pursuant to the terms of an executive director agreement dated 5 September 2013 and the advisory and management service agreement dated 5 September 2012 (together, the "Service Agreement"). Mr. Budilovsky's appointment is for an initial period to 1 August 2015 and shall extend automatically for a further period of three years unless terminated in accordance with the terms of the Service Agreement. The agreement contains provisions for early termination, *inter alia,* in the event that he breaches any material term of the agreement. The basic salary payable to Mr. Budilovsky (monthly in arrears) is US$15,000 a month. In addition, Mr. Budilovsky may be entitled to an annual performance fee in the amount of up to six times the basic monthly salary conditional upon achieving certain targets, and a single exit performance fee conditional upon the Company's secondary listing on a regulated market or other similar event that results in significant liquidity for the Shareholders. A performance bonus pursuant to his service agreement may become payable to Mr. Budilovsky for the 12 months period since his appointment.

- Philip Scales is currently a Director of the Company, holding the position of Non-Executive Director pursuant to the terms of a letter of appointment dated 5 September 2013. Mr. Scales' services as Non-Executive Director are provided through IOMA Fund and Investment Management Limited ("IOMA"). The fee payable to IOMA (monthly in arrears) is US$30,000 per annum. Either party may terminate the appointment upon three months' written notice, without payment of compensation other than accrued fees and expenses to which Mr. Scales is entitled to be reimbursed. The letter also contains provisions for immediate termination upon written notice without payment of compensation if certain events occur, such as Mr. Scales committing any serious or repeated breach or the non observance of his obligations to the Company. Mr. Scales' appointment is subject to the Company's Articles and the usual rules on the rotation of Directors.

- Michael Zampelas is currently a Director of the Company, holding the position of Non-Executive Director pursuant to the terms of a letter of appointment dated 5 September 2013. The fee payable to Mr. Zampelas (monthly in arrears) is US$30,000 per annum. Either party may terminate the appointment upon three months' written notice, without payment of compensation other than accrued fees and expenses to which Mr. Zampelas is entitled to be reimbursed. The letter also contains provisions for immediate termination upon written notice without payment of compensation if certain events occur, such as Mr. Zampelas committing any serious or repeated breach or the non observance of his obligations to the Company. Mr. Zampelas' appointment is subject to the Company's Articles and the usual rules on the rotation of directors.

- Hillar Teder is currently a Director of the Company, holding the position of Non-Executive Director pursuant to the terms of a letter of appointment dated 5 September 2013. Mr. Teder will not receive any salary or fee for his services. Either party may terminate the appointment upon three months' written notice, without payment of compensation other than accrued fees and expenses to which Mr. Teder is entitled to be reimbursed. The letter also contains provisions for immediate termination upon written notice without payment of compensation if certain events occur, such as Mr. Teder committing any serious or repeated breach or the non observance of Hillar's obligations to the Company. His appointment is subject to the Company's Articles and the usual rules on the rotation of directors.

- Volodymyr Tymochko is currently a Director of the Company, holding the position of Non-Executive Director pursuant to the terms of a letter of appointment dated 5 September 2013. Mr. Tymochko will not receive any salary or fee for his services. Either party may terminate the appointment upon three months' written notice, without payment of compensation other than accrued fees and expenses to which Mr. Tymochko is entitled to be reimbursed. The letter also contains provisions for immediate termination upon written notice without payment of compensation if certain events occur, such as Mr. Tymochko committing any serious or repeated breach or the non observance of his obligations to the Company. Mr. Tymochko's appointment is subject to the Company's Articles of Association and the usual rules on the rotation of directors.

7.2 Save as set out in paragraph 7.1 hereto, there are no existing or proposed service agreements between any of the Directors and any member of the Group.

7.3 Other than payment of salary and benefits in lieu of notice the Directors' service contracts and letters of appointment do not provide for benefits upon the termination of their employment.

7.4 Key management compensation included in the statement of comprehensive income of the Company for the year ended 31 December 2012 is represented by salary and bonuses of US$351,000.

7.5 It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial year ending 31 December 2013 would amount to approximately US$400,000.

7.6 The Company has 117 employees.

8. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry and having regard to available facilities, that the working capital available to the Company (and its Group) will, from the time of Admission, be sufficient for their present requirements, that is, for at least 12 months from the date of Admission.

9. LITIGATION

9.1 Save as disclosed in this paragraph 9, no member of the Company is or has been engaged in governmental, legal or arbitration proceedings that may have or have had a significant effect on the Company's financial position or profitability during the 12 months preceding the date of this document and so far as the Directors are aware there are no such proceedings that are pending or threatened.

9.2 The Company is involved in several court and arbitral proceedings in the UK, Cyprus and Ukraine in relation to Assofit, including the following:

- In relation to the Sky Mall project, the Company entered into a call option agreement with a joint venture partner, whereby it could acquire the remaining shareholding of 50.03 per cent. at a pre-agreed valuation of US$51,000,000–56,000,000, depending on the timing (the "Sky Mall Call Option"). The period of exercise of the Sky Mall Call Option had been set from 15 November 2010 to 15 March 2011. In November 2010, the Company sought to exercise the Sky Mall Call Option. However, the buyout was suspended by legal proceedings that were initiated by the joint venture partner in November 2010 in relation to the validity of the termination of the agreement relating to the Sky Mall Call Option. The case was considered by a sole arbitrator acting under the rules of the LCIA (the London Court of International Arbitration). On 13 December 2011 the sole arbitrator rendered an award declaring that the joint venture partner had validly terminated the call option agreement. The Company appealed the award before the High Court of England and Wales and its appeal was partially successful. As a result, the court remitted the question of whether the Company has validly exercised the Sky Mall Call Option to be considered anew by the sole arbitrator. The case is currently under consideration.

- In December 2010, the Company initiated arbitration proceedings against the joint venture partner in relation to the validity of the termination of the shareholders' agreement between the parties. The case was considered by a three member tribunal acting under the arbitration rules of the United Nations Commission on International Trade Law ("UNCITRAL"). On 9 June 2011, the tribunal rendered a final award declaring that the joint venture partner had validly terminated the shareholders' agreement on 8 November 2010. The tribunal ordered that: (i) the Company to transfer loans extended to Prizma Beta LLC ("Prizma Beta") by Filgate Credit Enterprises Limited ("Filgate") to a special purpose Cypriot company to be owned 49.97 per cent. by the Company and 50.03 per cent. by Stockman (the "Finance SPV"); and (ii) the Company arrange for the right to the land to the Sky Mall project be transferred by Dniprovska Prystan PrJSC ("DP") to Prizma Beta LLC and the shares in DP be transferred to a third party specified by the Company for US$1. The Company appealed the tribunal's award before the High Court of England and Wales but, on 13 July 2012, the court dismissed Arricano's challenge with no further avenues of appeal being available.

- On 12 March 2012, the Company filed an application to the District Court of Larnaca in Cyprus for the winding up of Assofit in order to protect its interests from its joint venture partner. The Company has applied for the appointment of a receiver in order to protect Assofit's assets pending the hearing regarding the winding up application.

- In 2012, Stockman filed action no. 219/2012 with the District Court of Limassol against, *inter alia*, the Company requesting, *inter alia*, a declaratory judgment on the obligation of the Company to comply with its undertaking to transfer loan receivables in respect of a US$96,890,247 loan (granted by Filgate to Prizma Beta) to the Finance SPV (see above in relation to the arbitral proceedings commenced in December 2010), an order for the performance of all actions necessary to achieve the transfer of the loan or, alternatively, damages for any loss caused by the breach of the contractual obligation by the Company, including any general or punitive damages. Stockman has obtained two injunctions prohibiting the alienation and encumbrance of the loan and any request for payment of the loan from Prisma Beta. The proceedings relating to action no. 219/2012 were discontinued pursuant to a notice of discontinuance of court proceedings filed with the District Court of Limassol on 17 May 2013, without prejudice to the rights of the plaintiffs to file a new action. As a result, the two injunctions obtained by Stockman ceased to have effect.

- On 27 August 2012, Filgate filed a claim with the Commercial Court of the City of Kyiv against Prizma Beta for the recovery of a debt under a loan agreement between Filgate (as lender) and Prizma Beta (as borrower), pursuant to which the lender was obliged to provide a loan to the borrower in the amount of US$25,000,000. Filgate's claim was for the aggregate amount of US$9,360,218.99 and the title to the first commission phase of Sky Mall. Prizma Beta filed a counter claim with the Commercial Court of the City of Kyiv asking to reject Filgate's claim and to change the lender in the loan agreement dated 30 September 2005 from Filgate to Assofit. On 6 February 2013, Filgate filed with the Commercial Court of the City of Kyiv an application to increase the amount of the claim to US$ 10,066,869.96. On 11 February 2013, the Commercial Court of the City of Kyiv ruled in favour of Prizma Beta and ordered that Filgate's rights under the loan agreement be assigned to Assofit. However, on 20 February 2013, Filgate appealed the decision before the Kyiv Commercial Court of Appeal. By the decision of the Kyiv Commercial Court of Appeal as at 14 March 2013, the appeal was returned to Filgate in connection with Filgate's failure to file the appeal before the prescribed deadline. Filgate then filed a cassation appeal against the decision of the Kyiv Commercial Court of Appeal to decline the appeal. By the decision of the Kyiv Commercial Court of Appeal as at 14 March 2013, the appeal was returned. A cassation appeal has been filed by Filgate to obtain an extension to the time period in which it can seek an appeal to the appellate court. Filgate also simultaneously filed a new appeal to the appellate court seeking a reconsideration of the decision of the Kyiv Commercial Court. The cessation appeal was refused on 13 August 2013. No further appeal hearing has been scheduled yet.

- On 4 October 2012, Assofit filed a claim against Prizma Beta at the Commercial Court of the City of Kyiv. Assofit sought a declaration that the decision of a general shareholders meeting of Prizman Beta held on 6 March 2012, whereby Mr. Sergiy Donskoy, Mr. Kozyukevych and Mr. Lytvyn were elected as the directors of Prizma Beta, is void. Assofit claimed that the persons who purported to represent Assofit (as the sole participant of Prizma Beta) at the relevant participants' meeting of Prizma Beta were not authorised representatives. On 21 March 2013, the Company filed an application with the Commercial Court of the City of Kyiv seeking participation in the appellate procedure as a third party which was rejected by the court. On 21 March 2013, the court ruled in favour of Assofit and invalidated the decision on the directors' appointments. Prizma Beta's appeal to the Kyiv Commercial Court of Appeal was rejected on 29 May 2013. The Company is in the process of appealing the cessation decision on the grounds that its rights have been violated by the case.

- On 18 February 2013, the Dniprovskyi District Court of the City of Kyiv resolved to initiate court proceedings based upon the lawsuit of Filgate against Prizma Beta and Mr. Oleh Pantyukov regarding the repayment of a debt under a loan agreement and a surety agreement. The aggregate amount of the claim is US$55,303,710.66. Together with the lawsuit the claimant submitted an application to secure the claim by way of a seizure of the first and second commission phases of Sky Mall, which was satisfied by the Dniprovsky District Court of the city of Kyiv on 18 February 2013. On 4 March 2013, the court cancelled this decision and released the first and second commission phases of Sky Mall. The proceedings against Prizma Beta were terminated by the same ruling. Filgate appealed this decision. The Court of Appeal of the City of Kyiv granted the appeal, cancelled the rulings of the Dniprovskyi District Court of the City of Kyiv of 4 March 2013 and directed the case to the Dniprovskyi District Court of the City of Kyiv for further consideration. On 15 July 2013, the Dniprovskyi District Court of the City of Kyiv rejected Filgate's claim and closed the proceedings. Filgate is in the process of appealing this decision.

- On 19 September 2012, Mr. Mykhailo Pinchuk (in his capacity as a shareholder) filed a claim against DP at the Commercial Court of the City of Kyiv. Mr. Mykhailo Pinchuk sought a declaration that the decision of a general shareholders meeting of DP held on 17 August 2012, whereby Ms. Korobeynikova Anastasiya Olesksandrovna was appointed to the position of general director and Mr. Valko Yevheniy Oleksandrovych was appointed to the position of project director. On 21 March 2013, the Commercial Court of the City of Kyiv ruled in favour of DP. Mr. Mykhailo Pinchuk's appeal to the Kyiv Commercial Court of Appeal was rejected on 20 June 2013. Mr. Mykhailo Pinchuk filed a cassation appeal on 9 July 2013 and the hearing took place on 19 August 2013. The court rejected the cessation appeal on formal grounds.

- Being a minority shareholder, the Group has limited access to information relating to Assofit and it subsidiaries. There can be no assurance that Assofit is not subject to material litigation of which the Directors are not aware.

9.3 The Company and two of its major shareholders, DUPD and RRE, were previously engaged in a dispute. DUPD had alleged, *inter alia*, that the Company and RRE breached certain warranties and corporate governance provisions contained in a shareholders' agreement which has now been terminated. The Company, DUPD and RRE were parties to three arbitration proceedings under the rules of the LCIA in respect of such dispute and DUPD obtained injunctions in the Cypriot courts under application number 29/1012 restraining the Company from proceeding with an initial public offering at that time (through freezing the Company's share register and other restrictions). Pursuant to the terms of a settlement deed dated 8 July 2013 (described in paragraph 11.3) thereto, the Company, DUPD, SRE and RRE have agreed to be automatically and irrevocably released from all claims against each other with effect from Admission with respect to certain disputes, including this dispute regarding the shareholders' agreement. The parties further agreed that with immediate effect upon Admission that the Company shall be automatically and irrevocably released from all claims relating to the disputes and that it shall be deemed to accept this release in full satisfaction of its claims against the other parties. The parties also agreed to have all injunctions and interim or final orders and awards granted or imposed against the Company terminated within 14 (fourteen) days of the date of this settlement deed. The Company did not pay, or agree to pay, any compensation (in cash or otherwise) or undertake any form of indemnification or guarantee to DUPD or RRE under the terms of the deed of settlement or otherwise in connection with the settlement of the dispute. Under the terms of the deed of settlement, the former shareholders' agreement has been terminated with effect from Admission with no ongoing liability to the Company. The injunctions obtained pursuant to application number 29/1012 have subsequently been lifted in accordance with the deed of settlement and the claims were fully settled on 10 July 2013.

9.4 On 30 October 2012, Dniprovska Prystan PrJSC ("Dniprovska Prystan") (as claimant) filed a lawsuit with the Commercial Court of the City of Kyiv against (1) Stilf LLC (defendant 1) and (2) the Kyiv City Council (defendant 2). Dniprovska Prystan requested the court:

(1) to invalidate the sale and purchase agreement dated 10 August 2012 pursuant to which the multi-storey car park of the second phase of Sky Mall (registered as a 'property of unfinished construction' (26 per cent. completed)) was transferred to Stilf LLC and, as a result, to recognise Dniprovska Prystan as the owner of this property; and

(2) to annul Dniprovska Prystan is written notice of relinquishment of lease agreements executed with the Kyiv City Council for the land underlying the alienated real property described in (1) above. Dniprovska Prystan PrJSC submitted its notice to the Kyiv City Council, requesting an early termination of these land lease agreements, on 13 August 2012. The basis of such request was the transfer of ownership rights to the buildings located on the land plots of Stilf LLC. The basis of Dniprovska Prystan's request to annul its notice of relinquishment of the land lease agreements is that the notice (which formed the basis of an early termination of the land lease agreements) was executed by an unauthorised person.

The proceedings are ongoing. In conjunction with this lawsuit the claimant has submitted an application to the court for the following restraining orders in order to secure the claim: (1) a restraining order against Stilf LLC, to prevent the alienation or disposal in any other way of the disputed real property; and (2) a restraining order against the Kyiv City Council, to prevent it from taking any decision or conducting any action aimed at the termination of the land lease agreements with Dniprovska Prystan. This application was satisfied by the Commercial Court of the City of Kyiv by its ruling of 2 November 2012. Stilf LLC, as the co-defendant, appealed this ruling. However, the appeal was rejected by the Kyiv Commercial Court of Appeal on 7 February 2013. Subsequently, Stilf LLC filed a cassation appeal to the Supreme Commercial Court of Ukraine to overturn the rulings of the commercial courts of the first and second instances and has requested to cancel the restraining orders applied. On 22 April 2013, the Supreme Commercial Court of Ukraine affirmed the decision on securing the claim. Under the decision of the court of first instance, dated 28 May 2013, the proceedings on the case have been suspended until claim No. 910/9083/13 (the claim by Assofit against Dniprovska Prystan PrJSC regarding the appointment of that company's general director and project's director) has been considered on its merits.

9.5 On 15 June 2012, Stilf LLC filed a claim at the Commercial Court of Kyiv against Dniprovska Prystan PrJSC ("Dniprovska Prystan") for the recovery of a debt under general contractor agreement No. CT-01 dated 14 September 2007 between Stilf LLC and Dniprovska Prystan for the aggregate amount of approximately US$4,192,723. The proceedings have been stayed pending the outcome of bankruptcy proceedings against Dniprovska Prystan initiated on 20 August 2012 by a ruling of the Commercial Court of the City of Kyiv dated 25 October 2012.

9.6 Dniprovska Prystan is currently subject to bankruptcy proceedings due to its inability to satisfy in full the claims of all of its creditors. The bankruptcy proceedings were initiated by its director as required under the laws of Ukraine in accordance with a ruling of the Commercial Court of the City of Kyiv dated 20 August 2012. According to the ruling of the Commercial Court of the City of Kiev on 10 September 2012, a freezing injunction was imposed with respect to the movable and immovable property of Dniprovska Prystan (including the multi level parking, trading equipment, switching substations, engineering and technical networks). As of 17 July 2013, 19 creditors of Dniprovska Prystan have been registered for participation in the bankruptcy proceedings. The proceedings relating to this claim are ongoing.

9.7 Energomontazhventyliatsiya PrJSC ("EMV") filed a claim with the Commercial Court of the City of Kyiv against Dniprovska Prystan acting as a defendant for the recovery of a debt under equipment supply and montage agreement No. EMB-01 dated 20 August 2008, entered into between EMV and Dniprovska Prystan, for the aggregate amount of UAH 850,065 (approximately US$106,351). On 3 October 2012, the Commercial Court of the City of Kyiv ruled in favour of EMV and ordered Dniprovska Prystan to pay UAH 850,065 (approximately US$106,351) to the claimant.

9.8 UkrpanGroup PrJSC (formerly known as UkrpanGroup CJSC ("UkrpanGroup")), Prizma Alfa LLC ("Prizma Alfa"), Prizma Beta (as creditors, the "O'KEY Creditors")) are parties to the bankruptcy proceedings in relation to O'KEY Ukraine LLC ("O'KEY Ukraine"). O'KEY Ukraine is owned by RRE (99 per cent.) and Hillar Teder (1 per cent.). The aggregate amount of O'KEY Ukraine's liability owed to the O'KEY Creditors is UAH 63,834,700 (approximately US$7,979,337). On 30 August 2012, O'KEY Ukraine's creditors created a creditors' committee and appointed the following three representatives: Prizma Alfa LLC, UkrPanGroup CJSC and Desna company. An appeal was filed by the tax authorities to challenge the creditors' register and the appointment of the receiver. However, the Kyiv Commercial Court of Appeal rejected the appeal. The cassation claim by the tax authorities was rejected by the Supreme Commercial Court of Ukraine in its ruling dated 29 November 2012. The creditors' committee has filed an application for the appointment of an insolvency officer to the position of debtor's manager, which was approved on 21 March 2013. At a hearing which took place on 17 July 2013, the creditors' committee submitted to the court their approved wording of a revised settlement agreement. The next hearing is scheduled for 26 September 2013.

9.9 Prisma Alfa filed a claim against Prisma Beta and Mr. Smirnov in respect of the debt owing to it under an interest-free financing agreement. On 11 June 2012, the proceedings were initiated at the Central District Court of Mykolaiv. On 21 September 2012 and 30 January 2013, the court ruled in favour of Prizma Beta and Mr. Smirnov, respectively. Prisma Alfa appealed these decisions. On 26 February 2013, the Appellate Court of the Mykolaiv Region: (i) cancelled the decision of the Central District Court of Mykolaiv dated 21 September 2012 on the grounds that the claim by Prisma Alfa to Prisma Beta fell under the jurisdiction of the commercial courts, rather than the civil courts; and (ii) upheld the decision of the Central District Court of Mykolaiv dated 30 January 2013 relating to the claim by Prizma Alfa LLC against Mr. Smirnov.

9.10 The Zapororizhzhia City Movement "Our City – Our Home" filed a lawsuit with the Commercial Court of the Zaporizhzhia Region against Prisma Alfa. The claimant requested the court to declare illegal and cancel a purchase agreement for a land plot of 5.5 ha. The court rejected the lawsuit on 9 June 2010. The claimant appealed this decision to the Zaporozhzhia Court of Appeal, which upheld the decision of the court of first instance.

9.11 The Deputy Prosecutor of the Holosiivskyi district in the City of Kyiv (acting in the interests of the state represented by the Kyiv Municipal State Administration and Municipal Entity ("Kyivzhytloekspluatatsiya") filed a claim against Budkhol LLC ("Budkhol") in the amount of UAH 2,023,369 (approximately US$252,921.13). On 15 November 2012, the Commercial Court of the City of Kyiv in case no. 5011-4/7923-2012 delivered a decision in favour of Kyivzhytloekspluatatsiya and ordered Budkhol to pay UAH 2,023,369 (approximately US$252,921.13). On 16 January 2013 the Kyiv Commercial Court of Appeal upheld the decision of the court of first instance. On 28 May 2013, the Supreme Commercial Court of Ukraine rejected Budkhol's cassation appeal and upheld the decisions of the lower courts.

10. NO SIGNIFICANT OR MATERIAL CHANGE

Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Group since 31 December 2012, the date on which the Group's last audited financial information (as set out in Section B of Part VIII of this document) was published.

Save as disclosed in this document, there has been no significant or material change in the financial or trading position of the Development Properties since 31 December 2012, the date on which the Development Properties last audited financial information (as set out in Section B of Part IX of this document) was published.

11. MATERIAL CONTRACTS OF THE COMPANY

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Company (i) within the two years immediately preceding the date of this document which are or may be material to the Company or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Company, as at the date of this document:

11.1 *Loan agreements*

11.1.1 On 5 July 2013, International Baltic Investments Ltd. (a special purpose entity wholly owned by Hillar Teder, ("IBI")) entered into a US$28.8 million term loan facility agreement (the "UBS Facility Agreement") with UBS AG ("UBS"), maturing on 5 January 2015, subject to mandatory and voluntary prepayment provisions. The facility bears interest at a floating rate per annum of an agreed spread plus a rate equivalent to UBS's cost of funding the loan for the term of each interest period. The facility was provided for the purpose of refinancing the ELQ Loan Agreement (as described in paragraph 11.1.3 of this Part XIV) and for other general corporate, business and working capital purposes. IBI agreed to on lend proceeds from the UBS Facility Agreement up to US$28.5 million to the Company pursuant to a loan agreement dated 5 July 2013, which matures on 5 December 2014 (the "IBI Loan Agreement"). The obligations of IBI under the UBS Facility Agreement are (i) guaranteed by the Company pursuant to a continuing guarantee dated 5 July 2013 and (ii) secured by a first-ranking and continuing security over 5,441,650 global depositary receipts each representing one ordinary share in O'Key Group S.A. (the "O'Key GDRs") and a pledge over IBI's cash account pursuant to a security agreement dated 5 July 2013. In July 2013, IBI made a drawdown under the UBS Facility Agreement and on lent the proceeds to the Company pursuant to the IBI Loan Agreement to repay in full amounts outstanding under the ELQ Loan Agreement.

11.1.2 On 3 April 2013, Livoberezhzhiainvest entered into two term loan agreements with Bank Saint-Petersburg OJSC in an aggregate amount of US$25 million. The first facility (in an aggregate amount of US$11 million) was provided for the purpose of financing the construction of the second phase of the South Gallery project. The second facility (in an aggregate amount of US$14 million) was provided for the purpose of repaying debts owed to contractors working on the construction of the M26/RayON Project. Both facilities mature on 20 April 2020 and bear interest at a rate of 10.5 per cent. per annum. The obligations of Livoberezhzhiainvest under both facilities are secured by suretyships provided by Arricano Real Estate PLC and Hillar Teder, a mortgage of the M26/RayON property, a pledge by Praxifin Holdings Limited of its entire equity interest in Livoberezhzhiainvest and pledge by the Company of its receivables to deposit accounts and various pledges of property rights.

11.1.3 *ELQII Equity Convertible Loan Financing Documentation*

(a) On 14 July 2011, the Company entered into a US$40 million term loan facility agreement (the "ELQ Loan Agreement") with ELQ Investors II Limited ("ELQII"), pursuant to which ELQII advanced to the Company a loan in the principal amount of US$30 million, maturing no later than 31 December 2013 and bearing interest at a rate of 11.5 per cent. per annum with 2 per cent. payable every six months and the remaining 9.5 per cent. being capitalised. The facility was provided for the purpose of making loans available to Weather Empire (the "SPV"). The obligations of the Company under the ELQ Loan Agreement were secured by a legal mortgage relating to the O'Key GDRs pursuant to a mortgage between Bytenem Limited ("Bytenem") and ELQII dated 25 July 2011 (the "ELQ Mortgage").

(b) On 14 July 2011, the Company and the SPV entered into a term loan facility agreement (as amended on 16 August 2013) (the "SPV Loan Agreement") for an initial amount of US$30 million and such further amounts as shall be provided to Arricano under the ELQ Loan Agreement, bearing initial interest at a rate of 11.85 per cent. per annum which has subsequently been reduced to 3.00 per cent. per annum. The facility was provided to fund the purchase of shares by the SPV. All amounts outstanding under the loan are due for repayment on 31 December 2014. The obligations of the SPV under this agreement were guaranteed by RRE pursuant to the terms of an unsecured guarantee dated on or before 5 September 2013. Under the terms of that guarantee RRE has provided certain representations and warranties largely relating to title and capacity, and the guarantee is not secured over any of RRE's assets. The Company cannot, therefore, be certain of RRE's ability to meet its obligations under the guarantee. See also Part IV "Recoverability of balances" for further detail.

(c) On 14 July 2011, the SPV entered into a share purchase agreement with RRE and ELQII, pursuant to which RRE transferred 1,077 shares to the SPV and one share to ELQII for a price of US$30 million payable by the SPV and US$27,855.15 payable by ELQII.

(d) On 14 July 2011, Arricano and ELQII entered into a call option deed (the "ELQ Call Option Deed") with Themis Professional Services Limited, the SPV, RRE, SRE and DUPD for the grant to ELQII of an option (the "ELQ Call Option") to receive the entire issued share capital of the SPV for consideration of US$1.00, exercisable up to and including 30 June 2013.

(e) In connection with the UBS Facility Agreement, pursuant to a settlement and release deed (the "Settlement and Release Deed") dated 5 July 2013 between the Company, the parties to the ELQ Loan Agreement and the parties to the UBS Facility Agreement, and an ISLA global master securities lending agreement and securities lending confirmation (the "ISLA Securities Lending Agreement"), each dated 5 July 2013 between IBI and Bytenem, the Company agreed to repay its obligations under the ELQ Loan Agreement, ELQII agreed to release the O'Key GDRs from the security created pursuant to the ELQ Mortgage and the parties agreed to facilitate the transfer of the O'Key GDRs in accordance with the UBS Facility Agreement and the related documents, each of which is subject to conditions precedent. Pursuant to a subordination deed dated 5 July 2013, the ISLA Securities Lending Agreement and the IBI Loan Agreement are subordinated to the UBS Facility Agreement and related finance documents. As at 5 July 2013, the shares of Weather Empire have been distributed proportionately between the existing Key Shareholders after the end of the conversion as per the ELQ Call Option (as defined below). In addition, in July 2013, the Company repaid in full amounts outstanding under the ELQ Loan Agreement following drawdowns under the Bytenem Loan Agreement, the IBI Loan Agreement and UBS Facility Agreement. See also paragraphs 11.1.1 and 14.1 of Part XIV for further detail.

(f) In connection with the Settlement and Release Deed, ELQII and RRE agreed to enter into an unconditional guarantee and indemnity for RRE to indemnify ELQII for repayment of amounts outstanding under the ELQ Loan Agreement and Settlement and Release Deed to the extent of any shortfalls due to certain events.

11.1.4 On 27 March 2008, PrJSC "UkrPanGroup" (formerly, known as PrJSC "UkrPanGroup") ("UkrPangroup"), PrJSC "Grandinvest" (formerly known as PrJSC "Grandinvest") ("Grandinvest") and PrJSC "Livoberezhzhiainvest" (formerly known as CJSC "Livoberezhzhiainvest") ("Livoberezhzhiainvest") (as borrowers) entered into a loan agreement (as amended from time to time, the "EBRD Loan Agreement") with the European Bank for Reconstruction and Development (the "EBRD"), as lender, for an aggregate amount of up to US$139,307,000, pursuant to which the EBRD disbursed loans to UkrPanGroup and Grandinvest. Each of the loans bears interest at an annual rate of (i) 3 months US$ LIBOR plus 4.5 per cent. per annum, until the end of the interest period during which specified evidence has been delivered to the EBRD that the relevant borrower has fully completed the construction and commissioning of its project, and (ii) 3 months US$ LIBOR plus 3.5 per cent. per annum thereafter. The obligations of the borrowers under the EBRD Loan Agreement are secured by various first-ranking pledges over the Group's rights to receive funds available at, or accruing to, certain bank accounts, present and future moveable assets, the charter capital of the Group's subsidiaries and rights and interests under lease agreements; by various first-ranking mortgages over the Group's immovable property; by assignments of the Group's rights to certain collateral warranties; and by various guarantees, indemnities and undertakings.

11.1.5 On 25 October 2007, Prizma Alfa LLC ("Prizma Alfa") entered into a loan agreement with UkrSibBank PJSC ("UkrSibBank") relating to a term loan of US$13,000,000 (equivalent to UAH 65,000,000). The interest payable under the agreement is 10.9 per cent. per annum on tranches denominated in US Dollars, and 14 per cent. per annum on tranches denominated in Ukrainian Hryvnia and is payable monthly. The maturity date of the loan is 24 December 2014. The Company has signed a loan agreement with Raiffeisen Bank Aval" PJSC in order to refinance the indebtedness with UkrSibBank, as per the description below in paragraph 11.1.6 of this Part XIV.

11.1.6 On 21 June 2013, Prizma Alfa entered into a term loan agreement with Raiffeisen Bank Aval PJSC in an aggregate amount of US$15,000,000. The facility was provided for the purpose of refinancing the entire indebtedness of Prizma Alfa in UkrSibBank and for the partial refinancing of loan amounts borrowed by Prizma Alfa from Beta Property Management Limited. The facility matures on 20 June 2020 and bears interest at a rate of 10.75 per cent. per annum. The obligations of Prizma Alfa under the facility are secured by a mortgage of non residential buildings which include a hypermarket, a shopping and an entertainment complex with a total area of 23,485.5 sq. m., a mortgage on the non residential transformer substation with a total area of 178.3 sq. m., a mortgage on a non residential pump building with a total area of 239.8 sq. m., a mortgage on a land plot with a total area of 4.3 ha, situated at Zaporizka str. 1b, Zaporizhzhia; a pledge of property rights on lease payments from lease agreements executed in favour of Prizma Alfa; and a pledge of property rights on the deposit "Pokryttya" in the amount of UAH 10,000.00 (approximately US$1,250) which shall be senior to and which shall be increased to the amount not less than UAH 5,000,000.00 (approximately US$625,000) over the next 12 months.

11.2 ***Share Purchase Agreements***

- On 5 September 2013, the Company entered into a share purchase agreement with Vunderbuilt whereby, subject to certain conditions (which the Company expects to be satisfied in advance of Admission), the Company will acquire the entire issued share capital of Twible Holdings Ltd, a limited liability company with shares registered in the Republic of Cyprus under registration number 287645 and wholly owned by Vunderbuilt, which is the sole shareholder of Comfort Market Lux Limited Liability Company (registered in Ukraine) and which operates and manages Prospect/Krasnotkatska, being one of the four additional Development Properties. Pursuant to the terms of the agreement, the Company also agrees to issue 14,318,883 Ordinary Shares to Vunderbuilt as consideration for the acquisition. These Ordinary Shares will be admitted to trading on AIM as part of the Admission. This agreement is governed by the laws of the Republic of Cyprus. Vunderbuilt's liability under this agreement shall not exceed the amount of the consideration. Vunderbuilt will not indemnify the Company for any claims or damages in relation to a breach of warranty after the expiration of 12 months from the closing date of the transaction (save in respect of the title warranties, whereby the expiry date shall be 36 months from the closing date of the transaction). In addition, the agreement provides that the benefit of the loan agreement between Comfort Market Lux Limited Liability Company and Filgate Credit Enterprises Limited (which, as at 30 June 2013, had an amount outstanding of approximately US$35,543,600) will be assigned to the Company for EUR1. As at 30 June 2013, the amount outstanding on the loan was approximately US$35,543,600 and a further aggregate amount of US$7,000,000 was drawn down in August 2013. Therefore, the aggregate amount outstanding on the loan as at 5 September 2013 was US$42,543,600.

- On 5 September 2013, the Company entered into a share purchase agreement with, *inter alia*, Vunderbuilt whereby, subject to certain conditions (which the Company expects to be satisfied in advance of Admission), the Company will acquire the entire issued share capital of Wayfield Ltd, a limited liability company with shares registered in the Republic of Cyprus under registration number 277558 and wholly owned by Vunderbuilt, which is the sole shareholder of Budkhol Limited Liability Company (registered in Ukraine) and which operates and manages Lukianivka project, being one of the four additional Development Properties. Pursuant to the terms of the agreement, the Company also agrees to issue 5,624,893 Ordinary Shares to Vunderbuilt as consideration for the acquisition. These Ordinary Shares will be admitted to trading on AIM as part of the Admission. In addition, the Company has also agreed to pay the Deferred Consideration in respect of the acquisition by way of a cash payment of not more than US$20 million to Bytenem Limited (a company under the same ultimate beneficial control as Vunderbuilt). Payment of the Deferred Consideration must be settled by not later than 30 April 2014 except that, at the sole discretion of the Board payment of up to US$10 million of the Deferred Consideration may be further deferred to a date not later than 30 April 2015. The Company will be liable to pay interest on any Deferred Consideration outstanding quarterly in arrears at a rate of 9.75 per cent. per annum. This agreement is governed by the laws of the Republic of Cyprus. Vunderbuilt's liability under this agreement shall not exceed the amount of the consideration. Vunderbuilt will not indemnify the Company for any claims or damages in relation to a breach of warranty after the expiration of 12 months from the closing date of the transaction (save in respect of the title warranties, whereby the expiry date shall be 36 months from the closing date of the transaction). In addition, the agreement provides that the benefit of the loan agreements between Budkhol Limited Liability Company and Filgate Credit Enterprises Limited and between Budkhol Limited Liability Company and RRE (which, as at 30 June 2013, had in aggregate an amount outstanding of approximately US$16,650,100 or US$10,361,000 at amortised cost as reflected in the interim financial statements for a period ended 30 June 2013) will be assigned to the Company for EUR1. By way of a separate agreement dated 5 September 2013, RRE has also directly agreed with the Company to the assignment of the benefit of the aforementioned loan from itself to the Company.

- On 5 September 2013, the Company entered into a share purchase agreement with Vunderbuilt whereby, subject to certain conditions (which the Company expects to be satisfied in advance of Admission), the Company will acquire the entire issued share capital of Sapete Holding Ltd, a limited liability company with shares registered in the Republic of Cyprus under registration number 287747 and wholly owned by Vunderbuilt, which is the sole shareholder of Vektor Capital Limited Liability Company (registered in Ukraine) and which operates and manages the Rozumovska project, being one of the four additional Development Properties. Pursuant to the terms of the agreement, the Company also agrees to issue 4,047,640 Ordinary Shares to Vunderbuilt as consideration for the acquisition. These Ordinary Shares will be admitted to trading on AIM as part of the Admission. This agreement is governed by the laws of the Republic of Cyprus. Vunderbuilt's liability under this agreement shall not exceed the amount of the consideration. Vunderbuilt will not indemnify the Company for any claims or damages in relation to a breach of warranty after the expiration of 12 months from the closing date of the transaction (save in respect of the title warranties, whereby the expiry date shall be 36 months from the closing date of the transaction). In addition, the agreement provides that the benefit of the loan agreement between Vektor Capital Limited and Filgate Credit Enterprises Limited (which, as at 30 June 2013, had in aggregate an amount outstanding of approximately US$1,109,100) will be assigned to the Company for EUR1.

- On 5 September 2013, the Company entered into a share purchase agreement with Vunderbuilt whereby, subject to certain conditions (which the Company expects to be satisfied in advance of Admission), the Company will acquire the entire issued share capital of Gelida Holding Ltd, a limited liability company with shares registered in the Republic of Cyprus under registration number 287633 and wholly owned by Vunderbuilt, which is the sole shareholder of Mezokred Holding Limited Liability Company (registered in Ukraine) and which operates and manages the Petrivka project, being one of the four additional Development Properties. Pursuant to the terms of the agreement, the Company also agrees to issue 4,358,798 Ordinary Shares to Vunderbuilt as consideration for the acquisition. These Ordinary Shares will be admitted to trading on AIM as part of the Admission. This agreement is governed by the laws of the Republic of Cyprus. Vunderbuilt's liability under this agreement shall not exceed the amount of the consideration. Vunderbuilt will not indemnify the Company for any claims or damages in relation to a breach of warranty after the expiration of 12 months from the closing date of the transaction (save in respect of the title warranties, whereby the expiry date shall be 36 months from the closing date of the transaction). In addition, the agreement provides that the benefit of the loan agreement between Mezokred Holding Limited Liability Company and Filgate Credit Enterprises Limited and Vunderbuilt (which, as at 30 June 2013, was approximately US$1,927,700) will be assigned to the Company for EUR1.

11.3 ***Settlement Deed***

On 8 July 2013, the Company and three of its major shareholders, DUPD, RRE and SRE, entered into a deed of settlement with respect to certain matters, including a previous dispute relating to an alleged breach by the Company and RRE of certain warranties and corporate governance provisions contained in a shareholders' agreement and the proceedings relating to Stockman. Pursuant to the terms of the settlement deed, the parties have agreed to be automatically and irrevocably released from all claims against each other with effect from Admission with respect to the disputes. The parties further agreed that, with immediate effect upon Admission, the Company shall be automatically and irrevocably released from all claims relating to the disputes and that it shall be deemed to accept this release in full satisfaction of its claims against the other parties. The parties also agreed to have all injunctions and interim or final orders and awards granted or imposed against the Company terminated and these have since been terminated (see paragraph 9.3 in this Part XIV). The Company did not pay, or agree to pay, any compensation (in cash or otherwise) or undertake any form of indemnification or guarantee to DUPD, RRE or SRE under the terms of the deed of settlement or otherwise in connection with the settlement of the dispute. Under the terms of the deed of settlement, the former shareholders' agreement has been terminated with effect from Admission with no ongoing liability to the Company. The settlement deed also terminated the business success fee deed entered into on 10 September 2010 between RRE, DUPD and the Company) upon the occurrence of the "ten day announcement" (the release of information specified in Schedule One to the AIM Rules) in anticipation of Admission (see paragraph 11.2 of this Part XIV for further details). The settlement deed is governed by the laws of England. On or about 7 August 2013 and 29 August 2013, the Company, DUPD, RRE and SRE entered into side agreements to the settlement deed acknowledging the agreed terms of sale of the Development Properties.

11.4 ***Investment Agreement with Real Estate F.C.A.U. LLC***

On 25 April 2013, Comfort Market Lux as developer entered into an investment agreement with Real Estate F.C.A.U. LLC ("Real Estate F.C.A.U.") as investor, in which it undertook to construct a hypermarket of a total estimated area of 11,760 sq. m on a turn key basis and to transfer it to the investor upon completion. Real Estate F.C.A.U.'s aggregate investment commitment under this agreement is approximately UAH 200 million, of which around one fifth was paid in May 2013 and the remainder is due to be paid by September 2014. Under a deed of guarantee dated 26 April 2013, Twible Holdings Limited has guaranteed Comfort Market Lux's obligations to repay Real Estate F.C.A.U.'s investment in specified circumstances. Following the acquisition of Twible Holdings Limited by the Group pursuant to the Share Purchase Agreement with Vunderbuilt dated 5 September 2013 (subject only to Admission), the Group plans to transfer its obligations under the guarantee from Twible Holdings Limited to the Company.

12. THE DEED POLL AND DEPOSITARY INTERESTS

12.1 ***Deed Poll***

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of Smith & Williamson Corporate Finance Limited as set out in paragraph 16.1 of this Part XIV. The Deed Poll contains, amongst other things, the provisions summarised below which are binding on all holders of Depositary Interests.

The Depositary will hold (itself or through the custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities held by or for the Depositary (or custodian) pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

Holders of Depositary Interests warrant, among other things, that the Ordinary Shares transferred to the Depositary or the custodian on behalf of the Depositary are free and clear from all liens, charges, encumbrances or third-party interests and that such transfers or issues are not in contravention of the Articles or any relevant contractual obligation, law or regulation or order binding on or affecting each person to whom the Depositary Interests are to be issued under the Deed Poll.

The Depositary (or its Custodian) must pass on to holders of Depositary Interests and exercise on behalf of holders of Depositary Interests all rights and entitlements received or to which they are entitled in respect of the underlying the Ordinary Shares that are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received, together with any amendments and additional documentation necessary to effect such passing on.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary is not liable to any holder of Depositary Interests or any other person for liabilities in connection with the performance or non performance of obligations under the Deed Poll or otherwise except as may result from its negligence, wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use of such Custodian or agent. Nor shall the Depositary incur any such liability if any liabilities suffered or incurred by the holder of Depositary Interests are attributable to or results from the negligence or wilful default or fraud of Euroclear UK & Ireland (or such other person, being the operator of the CREST system) or the Company or the acts or omissions of any person who provides banking services in connection with the CREST system. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of:

(a) the value of the Ordinary Shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and

(b) that proportion of £5,000,000 which corresponds to the portion that the amount the Depositary would otherwise be liable to pay to the holder of Depositary Interests bears to the aggregate of the amounts that the Depositary would otherwise be liable to pay to all or any holders of Depositary Interests in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5,000,000.

The Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll. The Depositary is not liable for taxes, duties, charges, costs or expenses that may become payable in respect of the Ordinary Shares or other deposited property or the Depositary Interests.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll insofar as they relate to the property held for the account of, or Depositary Interests held by, that holder, other than those resulting from the wilful default, negligence or fraud of:

(a) the Depositary; or

(b) the Custodian, or any agent if such Custodian or agent is a member of the same group of companies as the Depositary or if, not being a member of the same group of companies, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary may terminate the Deed Poll in its entirety or in respect of one or more series of Depositary Interests by giving 30 days' prior notice to the holders of Depositary Interests. If any Depositary Interests remain outstanding after termination, the Depositary shall, as soon as reasonably practicable, deliver the deposited property then held by it under the Deed Poll in respect of each Depositary Interest to the respective holder of Depositary Interests; or may, at its discretion, sell all or part of such deposited property and request the removal of the Depositary Interests from CREST. Following any such removal the Depositary shall not register transfers of the relevant Depositary Interests, pass on dividends or distributions, or take any other action in respect of such deposited property except that it shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to it, together with any other cash held by it under the Deed Poll, *pro rata* to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary may require from any holder, or former or prospective holder, information as to the capacity in which Depositary Interests are owned or held and the identity of any other person with any interest of any kind in such Depositary Interests and the holders are bound to provide such information requested. In addition, if and to the extent that, amongst other things, the Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in, the Company's securities, the holders of Depositary Interests must comply with such provisions and with the Company's instructions with respect to them. The Deed Poll is governed by the laws of England.

A copy of the Deed Poll can be obtained upon request in writing to the Depositary.

12.2 ***Depositary Agreement***

The Depositary Agreement has been entered into between the Company and the Depositary under which the Company has appointed the Depositary to constitute and issue from time to time, the Depositary Interests, with a view to facilitating the indirect holding of, and the settlement of transactions in, the Ordinary Shares by participants in CREST in accordance with the arrangements described in the CREST Manual and to provide certain other services in connection with such Depositary Interests.

The Company agrees to indemnify the Depositary against all loss suffered or incurred by the Depositary as a result of, or in connection with, the proper performance by the Depositary of its obligations under the Depositary Agreement, except to the extent that any loss arises as a result of the fraud, negligence or wilful default of the Depositary (or its officers, employees, agents and subcontractors), or as a result of a breach by the Depositary of a term of the Depositary Agreement. The Depositary agrees to indemnify the Company (and its officers and employees) on demand from and against all loss whatsoever or howsoever arising, suffered or incurred by the Company as a result of, or in connection with the fraud, negligence or wilful default of the Depositary (or its officers, employees, agents or sub-contractors), except to the extent that any loss arises as a result of the fraud, negligence or wilful default of the Company (or its officers, employees, agents and sub-contractors), or as a result of a breach by the Company of a term of the Depositary Agreement. Furthermore, except in the case of fraud, wilful default or negligence committed by the Depositary, the aggregate liability of the Depositary to the Company over any 12 month period (whether such liability arises under any express or implied term of the Depositary Agreement, in tort, for misrepresentation, for breach of contract, a contribution or any other duty imposed by law or in any other way) shall in no circumstances whatsoever exceed twice the amount of the fees under the Depositary Agreement payable in any 12 month period in respect of a single claim or in the aggregate.

The Depositary Agreement is entered into for a fixed term of one year and thereafter until terminated by either party with not less than three months' notice. Both the Company and the Depositary may terminate the agreement by written notice to the other party that such party is in material breach if such breach is not remedied within 21 days of such notice.

The Company is to pay certain fees and charges including, *inter alia*, a commencement fee, an annual fee, a fee payable upon a deposit, transfer or cancellation of Depositary Interests and certain CREST related fees. The Depositary is also entitled to recover reasonable out-of-pocket expenses. The Depositary Agreement is governed by the laws of England and Wales.

13. CONTRACTS RELATING TO ADMISSION

13.1 *Placing Agreement*

The Placing Agreement dated 5 September 2013 between the Nomad, the Directors and the Company is conditional, amongst other things, upon the Admission occurring not later than 8.00 a.m. on the Admission Date or such later date as the Nomad may agree in writing (being not later than 30 September 2013).

Subject to the terms and conditions of the Placing Agreement, the Company will pay to the Nomad a fee of £205,000 (exclusive of any VAT, expenses and disbursements payable thereon less any amounts previously paid by the Company) which is comprised of the corporate finance fees and applicable retainer fees and a commission of 4 per cent. of the gross proceeds of any funds raised from the Nomad's procurement of any investors at the Placing Price. The Placing Agreement provides that the Company shall bear its own costs and expenses, and pay the reasonable and properly incurred and documented costs and expenses of the Nomad, of, or in connection with, or incidental to, the Placing, the allotment and issue of the Placing Shares, Admission and any other matter or arrangement contemplated by, or incidental to, the Placing Agreement, including the costs and expenses of the Share Registrar and Depositary. This includes the costs and expenses of, and incidental to, all legal, professional and other expenses of the Company, all professional and other reasonable and properly incurred expenses of the Nomad incurred in connection with the Placing and Admission (subject to the Nomad agreeing with the Company any expense item in excess of £5,000) and the costs of printing, advertising and circulating the documents in connection with the Placing, the allotment and issue of the Placing Shares, and any other matter or arrangement contemplated by, or incidental to, the Placing Agreement including, in particular, the fees of the professional advisers.

The Placing Agreement contains certain customary warranties given by the Company and the Directors in favour of the Nomad as to, inter alia, the accuracy of information contained in this document and a customary indemnity from the Company and certain Directors in favour of the Nomad. In addition, the Company has warranted to the Nomad that the representations and warranties that it has received from Vunderbuilt, as contained in the Share Purchase Agreements, are true, correct and accurate. In giving these warranties, the limitations on liabilities which apply to the warranties given by Vunderbuilt under the Share Purchase Agreements also apply to the warranties given by the Company to the Nomad. The Nomad may terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event that it should come to the notice of the Nomad that any statement contained in press announcements, this Admission Document, the investor presentation or any of the placing letters is or has become untrue, incorrect or misleading in any material respect or that matters have arisen which would, if the Placing were made at that time, constitute in the Nomad's opinion (acting in good faith) a material omission in the context of the Placing therefrom; or that there should be any material adverse change (whether or not foreseeable at the date of the Placing Agreement) in the condition (financial, operational, legal or otherwise), earnings or business affairs of the Group taken as a whole, whether or not arising in the ordinary course of business, in each case as a result of circumstances (i) specific to the Group and not affecting the Group's sector as a whole and (ii) which the Nomad considers to be material in the context of the Placing or Admission. The Placing Agreement is governed by the laws of England.

13.2 ***Lock-in arrangements***

Pursuant to lock-in deeds with identical terms all dated 5 September 2013 between (i) RRE, the Company and the Nomad; (ii) SRE, the Company and the Nomad; (iii) Vunderbuilt, the Company and the Nomad; and (iv) Weather Empire, the Company and the Nomad. RRE, SRE, Vunderbuilt and Weather Empire (each, a "Covenantor") undertake, and have procured to ensure that their connected parties will undertake, not to dispose of their shareholding, amounting in aggregate to 55.45 per cent. of the Increased Issued Share Capital for a period of 12 months from the date of Admission, without the prior written consent of the Company and the Nomad, except in limited circumstances such as pursuant to a takeover, transfer under a will or court order.

Further, for a period commencing on the date which is 12 months after Admission and ending on the date 12 months thereafter, the Covenantors and their connected parties may sell any of the locked in Shares but, in order to maintain an orderly market, any such sale shall be effected only through the Nomad, insofar as it continues to be authorised by the Financial Conduct Authority to do so, on such terms, in such volumes and at such times and manner as the Nomad in its absolute discretion may allow so as to ensure an orderly market for the securities of the Company taking into account at such time the price of the securities, the volume traded and the likely impact on the market price of the proposed disposal, provided that the price and broker's commission applicable to the disposal are the Nomad's standard broking terms and are overall on terms such that the net proceeds to be received by the Covenantors or any of their connected parties in respect of such disposal are not significantly less than the proceeds that would be received by the respective Covenantor based on market terms quoted by any other reputable third party stockbroker or dealer in securities on a *bona fide* and arm's length basis in respect of the same disposal as identified to the third party broker (who shall be notified of the proposed disposals in advance and given 24 hours within which to match such terms). If the Nomad is unable to match such terms proposed by the third party broker then the Covenantor shall be entitled to use the third party broker (rather than the Nomad) in the sale of the locked-in shares. The lock-in deeds are governed by the laws of England.

13.3 ***RRE relationship agreement***

RRE and SRE have entered into a relationship agreement with the Company dated 8 July 2013 (to which Weather Empire became a party pursuant to a deed of adherence dated 5 September 2013) pursuant to which, conditional upon Admission, each of RRE, SRE and Weather Empire shall (and shall exercise all powers vested in it to procure, insofar as it is properly able, that their respective associates shall):

(a) conduct all transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis;

(b) not vote their Shares in favour of any related party transaction to which Rule 13 of the AIM Rules applies where either of RRE, SRE or Weather Empire (or their respective associates) is the related party in the transaction;

(c) not (except with the prior written consent of DUPD) enter into any related party transaction to which Rule 13 of the AIM Rules applies with the Company unless the transaction has been approved by a simple majority of Shareholders in a general meeting;

(d) not vote their shares in favour of any resolution to cancel the admission of the Shares to AIM (without the prior approval of the Company and DUPD);

(e) not take any action that precludes or inhibits any member of the Group from carrying on its business independently of RRE, SRE, Weather Empire and their respective associates;

(f) not exercise any of its voting or other rights and powers to procure:

  (i) any amendment to the Articles that would be inconsistent with or undermine any of the provisions of the relationship agreement; or

  (ii) any action by the Company that would be inconsistent with the corporate governance policy as adopted by the Board;

(g) not restrict and/or prohibit the Company from treating all holders of the same class of its Shares that are in the same position equally in respect of the rights attaching to such shares;

(h) not do, cause or authorise to be done or cause anything that will or would be reasonably likely to impair, damage, devalue or otherwise be detrimental to the reputation or goodwill associated with any member of the Group, any form of intellectual property registered or owned by any member of the Group, or bring any member of the Group, into disrepute;

(i) not acquire any financial interest in any person who carries on a business developing shopping centres in Ukraine except if RRE, SRE or Weather Empire (as relevant) has first offered to exercise all rights it has to allow the Company the opportunity to itself acquire such financial interest and the Company has, after being given such information about the opportunity as the Company reasonably requests, declined the opportunity or did not reply to RRE, SRE or Weather Empire within 14 days after receipt of the relevant information. The Company shall inform RRE, SRE or Weather Empire (as relevant) of the Company's decision whether or not to participate in the opportunity within a timely manner, but in any case within 14 days of receipt of the relevant information; and

(j) not sell or transfer any Ordinary Shares in the Company to any of its associates without the associates entering into relationship agreements equivalent to the relationship agreement with the Company.

RRE, SRE and Weather Empire have also undertaken to exercise all of their respective powers to procure (and to exercise all powers vested in them to procure that their respective associates shall), so far as they are properly able that:

(a) at all times there will be no fewer than three independent directors on the Board;

(b) DUPD may appoint a Director if it is entitled to do so under the DUPD relationship agreement (see paragraph 13.4 "DUPD relationship agreement" for more details); and

(c) at all times there will be no more than two executive directors on the Board.

If RRE, SRE and Weather Empire together hold more than 30 per cent. of the Shares they shall be entitled to appoint two Directors and, if they hold not less than 5 per cent. but not more than 30 per cent. of the Shares they shall be entitled to appoint one Director.

The relationship agreement terminates upon RRE, SRE and Weather Empire (or their associates) ceasing to control, directly or indirectly, at least 5 per cent. of the Shares. The relationship agreement is governed by the laws of England and Wales.

13.4 ***DUPD relationship agreement***

DUPD has entered into a relationship agreement with the Company dated 8 July 2013 pursuant to which, conditional upon Admission, it shall (and shall exercise all powers vested in it to procure, insofar as it is properly able, that their respective associates shall):

(a) conduct all transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis;

(b) not take any action that precludes or inhibits any member of the Group from carrying on its business independently of DUPD and its associates;

(c) not exercise any of its voting or other rights and powers to:

   (i) procure any amendment to the Articles which would be inconsistent with or undermine any of the provisions of the relationship agreement; or

   (ii) cause, directly or indirectly, any action by the Company that would be inconsistent with the corporate governance policy as adopted by the Board;

(d) not restrict and/or prohibit the Company from treating all holders of the same class of its Shares that are in the same position equally in respect of the rights attaching to such Shares;

(e) not do, cause or authorise to be done or cause anything which will or would be reasonably likely to impair, damage, devalue or otherwise be detrimental to the reputation or goodwill associated with any member of the Group, any form of intellectual property registered or owned by any member of the Group or bring any member of the Group into disrepute;

(f) not acquire any financial interest in any person who carries on a business developing shopping centres in Ukraine except if it has first offered to exercise all rights it has to allow the Company the opportunity to itself acquire such financial interest and the Company has, after being given such information about the opportunity as the Company reasonably requests, declined the opportunity, or did not reply to DUPD within 14 days of receipt of the relevant information. The Company shall inform DUPD of the Company's decision whether or not to participate in the opportunity within a timely manner, but in any case within 14 days of receipt of the relevant information; and

(g) not sell or transfer any Ordinary Shares in the Company to any of its associates without the associates entering into relationship agreements equivalent to the relationship agreement with the Company.

DUPD has also undertaken to exercise all of its respective powers to procure (and to exercise all powers vested in it to procure that its associates shall), so far as it is properly able that:

(a) at all times there will be not less than three independent directors on the Board;

(b) RRE and SRE may appoint directors if they are entitled to do so under the RRE relationship agreement (see paragraph 13.3 of Part XIV "RRE relationship agreement" for more details); and

(c) at all times there will be no more than two executive directors on the Board.

If DUPD holds not less than 5 per cent. of the Shares it shall be entitled to appoint one Director.

The relationship agreement terminates upon DUPD (or its associates) ceasing to control, directly or indirectly, at least 5 per cent. of the Shares. The relationship agreement is governed by the laws of England and Wales.

13.5 ***Nominated Adviser and Broker appointment letter***

On 5 September 2013 the Company entered into a nominated advisor and broker letter with the Nomad, pursuant to which the Company has appointed the Nomad to act as the nominated adviser and broker to the Company for the purposes of the AIM Rules. The agreement shall continue for a minimum fixed period of 12 months from the date of the agreement until terminated by the Company or the Nomad upon giving not less than three months' prior written notice to the other party. The Nomad shall be paid a fee at the annual rate of £45,000 (together with VAT thereon), which shall be payable in advance in four equal quarterly instalments. Any additional services which the Nomad agrees to provide are subject to written agreement between the parties and such additional fees and other terms as the parties may agree upon. In addition, the Company agreed to reimburse to the Nomad all expenses, costs (including, for the avoidance of doubt, the reasonable fees of its legal advisers and providers of independent research) and out-of-pocket disbursements incurred in connection with the fulfilment of its obligations under the agreement, provided that all items in excess of £5,000 shall be agreed with the Company in advance. The Company has agreed to indemnify and hold harmless the Nomad against losses incurred as a result of its performance of its duties.

14. RELATED PARTY TRANSACTIONS

14.1 In connection with the refinancing of the ELQ Loan Agreement, on 10 July 2013, the Company as borrower and Bytenem Co Limited as lender entered into up to a US$9 million loan agreement (the "Bytenem Loan Agreement") to cover the shortfall between the maximum principal drawdown available under the UBS Facility Agreement and amounts outstanding under the ELQ Loan Agreement. Loans under the Bytenem Loan Agreement bear interest at a rate of 3.5 per cent. per annum, and mature on the earlier of 11 November 2013 and 30 calendar days from Admission.

14.2 Between 1 March 2006 and 1 February 2012, Filgate entered into various intra-group loan agreements with Ukrainian subsidiaries of the Company in an aggregate amount of up to US$238,000,050, each loan agreement being on substantially the same terms. The interest rate under all of the loan agreements varies from 9.8 per cent. to 10 per cent. per annum. The maturity date under each agreement ranges from the end of 2013 to 2019. The principal amounts may be repaid by the Ukrainian subsidiaries at any time, although some of the agreements prohibit the repayment of the loan within the first 180 days after drawdown. On 12 October 2010, Filgate assigned its rights to all moneys due and otherwise arising under several loan agreements to Beta Property Management Limited for consideration of EUR1 per loan agreement. On 12 October 2010, Filgate also assigned its rights to all moneys due and otherwise arising under the loan agreement between itself and Grandinvest dated 19 November 2011 to Beta Property Management Limited for consideration of US$10,000,000. RRE was obliged to procure that the consideration received by Filgate for this assignment was used to repay the loan granted to Filgate by SRE pursuant to a loan agreement dated 26 February 2006 between Filgate and SRE, and SRE was obliged to use such money for the repayment of a loan granted by it to Arco Investeeringute AS ("Arco").

14.3 On 19 November 2007, Grandinvest entered into Investment Agreement No. 07/3 with Voyage-Krym LLC acting as customer of construction of the South Gallery project. Pursuant to the agreement, Grandinvest agreed to invest UAH 262,989,069.00 (equivalent to US$32,902,423.25) in the South Gallery project, with an additional amount of UAH 2,629,890.69 (or 1 per cent. of the investment amount) to be paid within 190 days of the date on which the ownership certificate in respect of the second phase of South Gallery is issued to Grandinvest.

14.4 On 28 November 2012, Grandinvest entered into Investment Agreement No. 1/2012 with Livoberezhzhiainvest acting as co-investor and Voyage-Krym LLC acting as customer of construction of the South Gallery project. Pursuant to the agreement, Voyage-Krym LLC is to arrange for the construction of the second phase of South Gallery project and transfer the ownership rights thereto to Grandinvest upon commissioning; Livoberezhzhiainvest agreed to invest UAH87,923,000.00 (being the equivalent of US$11,000,000.00) in the construction of the second Phase of South Gallery project by means of transferring monetary funds to Grandinvest; Grandinvest is obliged either (i) to transfer some of its ownership rights in the second phase of South Gallery project to Livoberezhzhiainvest upon commissioning or (ii) at Livoberezhzhiainvest's option, to procure the transfer of the shares in Grandinvest (based on the actual investment amount) to Livoberezhzhiainvest.

14.5 On 20 June 2011, Budkhol LLC, as borrower, entered into Loan Agreement No. 1/06 with Retail Real Estate S. A., as lender, relating to a loan facility in the amount of US$12,500,000. The loan bears interest at a rate of 0.1 per cent. per annum. The maturity date of the loan is 7 July 2021. The obligations of Budkhol under the agreement are secured by a mortgage of Budkhol's real property.

14.6 An Isle of Man company under the control of Hillar Teder lent US$4.4 million (including interest) to Filgate, which in turn lent the money to the Group. The money was used to develop the Group's projects prior to DUPD's investment, and the Company agreed with DUPD that this loan will be repaid by the Group following DUPD's investment. In June 2011, the liability to repay the debt was transferred to Beta Property for consideration of US$1.00, and was then paid by Beta Property. This payment was regarded as an equity contribution by Hillar Teder to the Company and was therefore treated as a distribution to shareholders in the Group's consolidated cash flow statement, resulting in a reduction in additional paid in capital.

14.7 Prior to DUPD's investment in the Group, Filgate had been advanced a US$10 million loan by Arco (a third-party investment house), which had on lent the money to Grandinvest. Due to various issues with this debt instrument it was decided that this facility should not be continued after DUPD had made its investment and as such the DUPD shareholders' agreement specifically required that this amount owed by Grandinvest to Filgate be assigned to Beta Property in return for a US$10 million payment by Beta Property to Filgate, and that Filgate would then use this money to settle its debt through SRE with Arco. In accordance with the shareholders' decision, a US$10 million payment was made in two tranches: US$5 million in 2010 and US$5 million in 2011.

14.8 Both DUPD and RRE had the right under the shareholder arrangements to each invest US$ 30 million in the Company. RRE invested this amount in the Company in November 2010 pursuant to the terms of this agreement, in return for 2,308 Ordinary Shares. As part of this investment there was an agreement that both RRE and DUPD would contribute a further US$30 million each to the Company. Although DUPD had the right to do so, only RRE was able to make the further investment and, as a result, DUPD was diluted down to a holding of 20 per cent. In order to resolve this imbalance, DUPD had hoped for one of its own shareholders, ELQ, a wholly-owned subsidiary of Goldman Sachs, to invest the US$30 million in its place, and it had hoped that this would occur by the end of December 2010. This was not done until July 2011. As a result, RRE injected a further US$30 million in December 2010, increasing its shareholding to 83 per cent.

14.9 On 14 July 2011, the Company entered into a convertible credit facility with ELQII whereby an initial facility of US$30 million was to be lent to Weather Empire to acquire sufficient shares in the Company such that Weather Empire would hold an initial stake in the Company of 16.67 per cent. The obligations of Weather Empire under this credit facility were guaranteed by RRE pursuant to the terms of an unsecured guarantee dated on or before 5 September 2013. Pursuant to an amendment agreement dated 16 August 2013, the applicable interest rate under the loan was reduced to 3 per cent. per annum and the repayment date set at 31 December 2014. See paragraph 11.1.3 of Part XIV for further details.

14.10 In January 2010, the Group sold 100 per cent. of its stake in Comfort Market Lux LLC to a subsidiary of RRE for US$5,000.

14.11 In July 2010, the Group sold Pramolin Co Limited to a subsidiary of RRE.

14.12 Various members of the Group have provided guarantees to secure the obligations of the borrower under the EBRD Loan Agreement.

15. GENERAL

15.1 The Nominated Adviser and the Broker to the Company is Smith & Williamson Corporate Finance Limited of 25 Moorgate, London EC2R 6AY, United Kingdom, which is authorised and regulated by the Financial Conduct Authority. Smith & Williamson Corporate Finance Ltd has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

15.2 The International Security Identification Number (ISIN) of the Ordinary Shares is CY0102941610.

15.3 Other than the intended application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares.

15.4 To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Company are aware and are able to ascertain from information published by that third party, no facts have been omitted which may render the reproduced information inaccurate or misleading.

15.5 Expandia LLC (part of the CBRE affiliate network), a commercial property and real estate services adviser that provides a range of commercial property services including valuation, having its business address at 4 M. Hrinchenka St, 03680 Kyiv, Ukraine, and CBRE Ltd, having its registered address at St Martin's Court, 10 Paternoster Row, London EC4M 7HP, United Kingdom (and an office at Henrietta House, Henrietta Place, London W1G 0NB, United Kingdom) have prepared the Valuation Report at the request of the Company. The individuals who prepared the Valuation Report are qualified to do so for the purposes of AIM. Expandia LLC has given and not withdrawn its consent to the inclusion in this document of its report in the form and context in which it is included. Expandia LLC has no interest in the capital of the Company or any member of the Group. CBRE Ltd has given and not withdrawn its consent to the inclusion in this document of its report in the form and context in which it is included. CBRE Ltd has no interest in the capital of the Company or any member of the Group.

15.6 KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 11, June 16th 1943 Street, 3022 Limassol, Cyprus, has been the Company's auditor since 2010. KPMG Limited is a member firm of the KPMG network of independent member firms affiliated with KPMG International Co-operative, a Swiss entity.

15.7 Baker Tilly Corporate Finance LLP is regulated by the Institute of Chartered Accountants in England and Wales and has given and not withdrawn its consent to the inclusion of its reports in Parts VIII and IX of this document in the form and context in which they are included.

15.8 No person (other than professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 month preceding the date of this document; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

15.8.1 fees totalling £10,000 or more;

15.8.2 securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price; or

15.8.3 any other benefit with a value of £10,000 or more at the date of Admission.

15.9 The total costs (including fees and commissions) (exclusive of recoverable VAT) payable by the Company in connection with Admission are estimated to amount to approximately US$1 million.

15.10 The Ordinary Shares are in registered form and will, following Admission, be capable of being held in uncertificated form as Depositary Interests. The Company has applied to Euroclear UK & Ireland Limited, the operator of CREST, for the Depositary Interests to be admitted to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles permit the holding of Depositary Interests under CREST. CREST is a voluntary system and holders of Depositary Interests who wish to retain share certificates will be able to do so. For further information concerning CREST, Shareholders should contact their broker or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB, United Kingdom, or by telephone on +44 (0) 20 7849 0000.

15.11 Save as disclosed in this document, as far as the Directors are aware, there are no known trends, uncertainties, demands, commitments or events that are reasonably expected to have a material effect on the Company's prospects for at least the current financial year.

15.12 Save as disclosed in this document, as far as the Directors are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.

15.13 Save as disclosed in this document as far as the Directors are aware, there are no patents, intellectual property rights, licences or any industrial, commercial or financial contracts which are or may be material to the business or profitability of the Company.

16. DOCUMENTS AVAILABLE FOR INSPECTION

16.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) free of charge, at the offices Smith & Williamson Corporate Finance Limited of 25 Moorgate, London, EC2R 6AY, United Kingdom from the date of this document until one month from the date of Admission:

16.1.1 the Articles;

16.1.2 the audited financial statements of the Group for the three financial years ended 31 December 2012, 2011 and 2010;

16.1.3 the unaudited interim results of the Group for the six months to 30 June 2013;

16.1.4 the written consent letters referred to in paragraph 15 above; and

16.1.5 the Deed Poll.

17. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document will be available during normal business hours on any weekday (except public holidays) free of charge from the Company's registered office and at the offices of Smith & Williamson Corporate Finance Limited, and shall remain available for at least one month after Admission.

Dated: 6 September 2013