Arricano Real Estate PLC

Consolidated financial statements 31 December 2014

These consolidated financial statements contain 72 pages

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Board of Directors	Raul Parusk Patrick Rupert Cottrell Philip Peter Scales Michalakis Zampelas Volodymyr Tymochko Mykhailo Merkulov (appointed 16 April 2015) Iarema Kovaliv (appointed 25 November 2014 and resigned 15 April 2015) Hillar Teder (resigned 25 November 2014)
Secretary	Asoted Secretarial Limited
Independent Auditors	KPMG Limited
Nominated Advisor	Smith & Williamson Corporate Finance
Bankers	Hellenic Bank Public Company Ltd Barclays Wealth, Isle of Man UBS AG, Switzerland OJSC Bank St. Petersburg, Russian Federation OJSC “Krayinvest”, Russian Federation PJSC State Savings Bank of Ukraine, Ukraine PJSC Raiffeisen Bank Aval, Ukraine OJSC “Fidobank”, Ukraine
Registered Office	Office 1002, 10th floor Nicolaou Pentadromos Centre Thessalonikis Street 3025 Limassol, Cyprus

The Board of Directors of Arricano Real Estate PLC (the "Company") submits to the members the Directors' Report and presents the audited consolidated financial statements of the Company and its subsidiary companies (the Company and its subsidiaries together referred to as the "Group") for the year ended 31 December 2014.

Principal activities

The principal activities of the Group are real estate development and construction and the holding of investment properties.

Review of developments, position and performance of the Group's business

The Company is the owner of the entities owning and operating five trade centres with total gross leasable area ("GLA") of 144,050 square meters, located in Kyiv, Simferopol, Zaporizhzhya and Krivyj Rig, the Company also owns title rights for 14 ha of development land divided into three specific sites which are at varying stages of development. In February 2014 the Second Phase of shopping centre South Gallery with a total GLA of 19,648 square meters was opened in Simferopol. In September 2014 the Group opened shopping centre Prospect located in Kyiv with GLA of about 30,448 square meters.

During the year ended 31 December 2014 the Group incurred positive cash flows from operating activities amounting to USD 5,496 thousand (for the year ended 31 December 2013: negative cash flows of USD 1,539 thousand). The Group has negative working capital of USD 84,208 thousand (31 December 2013: negative working capital of USD 143 thousand). During the year ended 31 December 2014 the Group was actively involved in construction of trade centers in Kyiv and Simferopol, which required significant financing and resulted in negative cash flow from investing activity of USD 8,065 thousand. This was mainly financed using cash-flows from operating activity. In December 2014 the Group entered to a new loan agreement with the EBRD for total amount of USD 25,000 thousand. In March 2015 the Group received a first tranche of USD 10,000 thousand that was used for settlement of the loan payable to Oshchadbank. In April 2015, the Group received a second tranche of USD 9,000 thousand.

During the year ended 31 December 2014 the Group generated net loss of USD 78,596 thousand (for the year ended 31 December 2013: net profit of USD 3,197 thousand), and had positive equity of USD 61,654 thousand (for the year ended 31 December 2013: positive equity of USD 231,521 thousand).

Amendments to the consolidated financial statements

Subsequent to the date that the original consolidated financial statements as at and for the year ended 31 December 2014 were authorised for issue, 28 April 2015, management was able to obtain additional information about matters affecting the recoverable values of certain assets and proceeded with bringing the amendments to the consolidated financial statements of the Group as at and for the year ended 31 December 2014, as disclosed in note 6 of the consolidated financial statements.

Future developments of the Group

2015 is likely to be another challenging year for the business from the perspective of the economic and political situation in Ukraine. During 2015 the Group plans to continue development of shopping centre Lukyanovka (working name of the object) that is located in Kyiv with GLA of 47,000 square meters.

In 2018 the Group plans to open Razumovskaia trade centre (working name of the object) that is located in Odesa, with land plot 4,5598 ha subject to retail development.

In accordance with the Group's investment policy only commercial property (trade and entertainment centres) will be included in the projects pipeline. Investment property will be located only in Kyiv and other big cities.

Main risks and uncertainties

The principal risks and uncertainties faced by the Group, together with the Group's objects, policies and processes for measuring and managing those risks, are disclosed in note 27 of the consolidated financial statements.

Results and dividends

The Group's results for the year are set out in the Consolidated Statement of profit or loss and other comprehensive income. The Directors do not recommend the payment of a dividend and the net loss for the year is carried forward.

Share capital

There were no changes in the share capital of the Company during the year.

Board of Directors

The members of the Company's Board of Directors are presented on page 1. In accordance with the Company's Articles of Association, Mr. Mykhailo Merkulov appointed as of 16 April 2015 retires at the Annual General Meeting that follows his appointment, and being eligible offer himself for re-election.

Mr. Hillar Teder resigned on 25 November 2014 and Mr. Iarema Kovaliv resigned as of 15 April 2015 and they are not seeking re-election.

Since October 2013, the Board of Directors established the operation of the following two committees: the Audit Committee and the Remuneration Committee. The Audit Committee comprises of three non-executive directors. It is chaired by Mr. Michael Zampelas; Mr. Philip Scales and Mr. Raul Parusk are the other members. The Remuneration Committee comprises of three non-executive directors. It is chaired by Mr. Philip Scales; Mr. Michael Zampelas and Mr. Volodymyr Tymochko are the other members.

Events after the reporting date

The material events after the reporting date, which have an effect on the understanding of the consolidated financial statements, are disclosed in note 30 of the consolidated financial statements.

Branches

During the year ended 31 December 2014, the Company did not operate any branches.

Independent auditors

The independent auditors of the Company Messrs. KPMG Limited, have expressed their willingness to continue in office. A resolution giving this authority to the Directors to fix their remuneration will be proposed to the Annual General Meeting.

By order of the Board of Directors,

Director

Director

Limassol, 23 June 2015

(in thousands of USD)	*Note*	**31 December 2014 *(amended)***	31 December 2013
Assets			
Non-current assets			
Investment property	*7*	**205,552**	287,799
Available-for-sale financial assets	*8*	**-**	20,727
Deferred tax asset	*26*	**-**	1,520
Long-term loans receivable	*9*	**1,562**	1,519
Long-term VAT recoverable	*10*	**6,575**	10,882
Property and equipment		**433**	537
Intangible assets		**33**	64
Restricted deposits	*14*	**897**	820
Total non-current assets		**215,052**	323,868
Current assets			
Inventories		**3**	4
Trade and other receivables	*11*	**1,331**	4,324
Loans receivable	*9*	**8,790**	48,469
Prepayments made and other assets	*13*	**576**	10,116
VAT recoverable	*10*	**2,273**	4,612
Assets classified as held for sale	*12*	**9,702**	5,833
Restricted deposits	*14*	**1,385**	663
Cash and cash equivalents	*14*	**832**	11,840
Total current assets		**24,892**	85,861
Total assets		**239,944**	409,729

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 69.

(in thousands of USD)	*Note*	**31 December 2014** ***(amended)***	31 December 2013
Equity and Liabilities			
Equity			
Share capital	*15*	**67**	67
Share premium		**183,727**	183,727
Additional paid-in capital		**59,713**	59,713
Retained earnings		**(28,087)**	50,509
Other reserves		**(61,983)**	(61,983)
Foreign currency translation differences		**(91,783)**	(512)
Total equity		**61,654**	231,521
Non-current liabilities			
Long-term borrowings	*17*	**52,734**	62,391
Advances received	*20*	**1,158**	2,900
Finance lease liability	*18*	**8,128**	11,248
Trade and other payables	*19*	**5,558**	-
Other long-term liabilities	*21*	**141**	10,222
Deferred tax liability	*26*	**1,471**	5,443
Total non-current liabilities		**69,190**	92,204
Current liabilities			
Short-term borrowings	*17*	**44,222**	40,623
Trade and other payables	*19*	**37,221**	13,745
Tax payables		**163**	272
Advances received	*20*	**6,153**	20,628
Current portion of finance lease liability	*18*	**2**	89
Other liabilities	*21*	**20,412**	10,151
Liabilities classified as held for sale		**927**	496
Total current liabilities		**109,100**	86,004
Total liabilities		**178,290**	178,208
Total equity and liabilities		**239,944**	409,729

These consolidated financial statements were approved by the Board of Directors on 23 June 2015 and were signed on its behalf by:

Director

Director

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 69.

	Note	**2014 (amended)**	2013
(in thousands of USD, except earnings per share)			
Revenue	*22*	**22,791**	25,299
Other income		**420**	1,233
Gain on revaluation of investment property	*7, 12*	**42,250**	1,751
Goods, raw materials and services used	*23*	**(809)**	(983)
Operating expenses	*24*	**(50,898)**	(12,727)
Employee costs		**(3,013)**	(3,789)
Depreciation and amortisation		**(276)**	(249)
Profit from operating activities		**10,465**	10,535
Finance income	*25*	**6,071**	3,831
Finance costs	*25*	**(86,119)**	(10,265)
(Loss) profit before income tax		**(69,583)**	4,101
Income tax expense	*26*	**(9,013)**	(904)
Net (loss) profit for the year		**(78,596)**	3,197
Items that will be reclassified to profit or loss:			
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect		**(146,523)**	-
Foreign currency translation differences		**55,252**	-
Total items that will be reclassified to profit or loss		**(91,271)**	-
Other comprehensive loss		**(91,271)**	-
Total comprehensive (loss) income for the year		**(169,867)**	3,197
Weighted average number of shares (in shares)	*15*	**103,270,637**	84,262,942
Basic and diluted (loss) earnings per share, USD		**(0.76107)**	0.03794

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 69.

(in thousands of USD)	*Note*	**2014 *(amended)***	2013
Cash flows from operating activities			
(Loss) profit before income tax		**(69,583)**	4,101
Adjustments for:			
Finance income	*25*	**(6,071)**	(3,831)
Finance costs, excluding foreign exchange loss and impairment of available-for-sale financial assets	*25*	**15,573**	10,265
Gain on revaluation of investment property	*7, 12*	**(42,250)**	(1,751)
Impairment of available-for-sale financial assets	*6, 8, 25*	**20,727**	-
Depreciation and amortisation		**276**	249
Unrealised foreign exchange loss		**49,457**	-
VAT refundable written-off	*24*	**1,096**	-
Allowance for bad debts	*24*	**42,625**	541
Operating cash flows before changes in working capital		**11,850**	9,574
Change in inventories		**(19)**	87
Change in trade and other receivables		**(1,408)**	(923)
Change in prepayments made and other assets		**(14)**	(496)
Change in VAT recoverable		**3,498**	1,966
Change in trade and other payables		**2,827**	(1,202)
Change in advances received		**(176)**	1,064
Change in other liabilities		**23**	(31)
Income tax paid		**(192)**	-
Interest paid		**(10,893)**	(11,578)
Cash flows from (used in) operating activities		**5,496**	(1,539)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**-**	4,233
Acquisition of investment property, excluding capitalised borrowing costs, and settlements of payables due to constructors		**(1,865)**	(41,172)
Acquisition of property and equipment		**(447)**	(296)
Prepayments made		**-**	(5,217)
Advances received		**-**	4,801
Loans granted		**(65)**	(240)
Loans repaid		**136**	85
Change in VAT recoverable		**(4,907)**	(5,426)
Placement of the restricted deposit		**(1,020)**	(1,483)
Interest received		**103**	156
Cash flows used in investing activities		**(8,065)**	(44,559)

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 69.

(in thousands of USD)	*Note*	**2014 *(amended)***	2013
Cash flows from financing activities			
Proceeds from issue of shares, net of equity costs		**-**	22,243
Proceeds from borrowings, net of transaction costs		**19,332**	85,945
Repayment of borrowings		**(25,646)**	(57,015)
Finance lease payments		**(940)**	(797)
Withdrawal of other reserves		**-**	(3)
Cash flows (used in) from financing activities		**(7,254)**	50,373
Net (decrease) increase in cash and cash equivalents		**(9,823)**	4,275
Cash and cash equivalents at 1 January		**11,840**	7,565
Effect of movements in exchange rates on cash and cash equivalents		**(1,185)**	-
Cash and cash equivalents at 31 December		**832**	11,840

Non-cash movements

During the year ended 31 December 2014, acquisition of investment property of USD 3,334 thousand was financed through finance leases (2013: USD 5,144 thousand).

The consolidated statements of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 11 to 69.

	Attributable to equity holders of the parent						
(In thousands of USD)	**Share capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2013	54	159,981	59,713	47,312	(131,980)	(512)	134,568
Total comprehensive income for the year							
Net profit and total other comprehensive income	-	-	-	3,197	-	-	3,197
Total comprehensive income for the year	-	-	-	3,197	-	-	3,197
Transactions with owners, recognised directly in equity							
Forfeiture of shares (refer to note 15)	(13)	(69,987)	-	-	-	-	(70,000)
Reversal of reserve for unpaid shares (refer to note 15)	-	-	-	-	70,000	-	70,000
Increase in share capital through contribution in kind from shareholders	26	93,733	-	-	-	-	93,759
Other movements	-	-	-	-	(3)	-	(3)
Total transactions with owners	13	23,746	-	-	69,997	-	93,756
Balances at 31 December 2013	67	183,727	59,713	50,509	(61,983)	(512)	231,521

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 69.

	Attributable to equity holders of the parent						
(In thousands of USD)	**Share capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Foreign currency translation differences**	**Total**
Balances at 1 January 2014	**67**	**183,727**	**59,713**	**50,509**	**(61,983)**	**(512)**	**231,521**
Comprehensive loss							
Net loss (amended)	**-**	**-**	**-**	**(78,596)**	**-**	**-**	**(78,596)**
Other comprehensive loss							
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect	**-**	**-**	**-**	**-**	**-**	**(146,523)**	**(146,523)**
Foreign currency translation differences	**-**	**-**	**-**	**-**	**-**	**55,252**	**55,252**
Total comprehensive loss for the year	**-**	**-**	**-**	**(78,956)**	**-**	**(91,271)**	**(169,867)**
Balances at 31 December 2014 (amended)	**67**	**183,727**	**59,713**	**(28,087)**	**(61,983)**	**(91,783)**	**61,654**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 69.

1 Background

(a) Organization and operations

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

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 31 December 2014, the Group operates five shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 144,050 square meters and is in the process of development of two new investment projects in Kyiv and Odesa.

(b) Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

In March 2014, the regional parliament in the Republic of Crimea declared its independence from Ukraine and signed an agreement with the Russian Federation outlining the Republic of Crimea's intention to join the Russian Federation. Effective from 1 May 2014 the national currency of the Republic of Crimea is the Russian Rouble. The Ukrainian state authorities and authorities of other leading countries do not recognise these declarations and agreements as they believe they are in violation of the Ukrainian constitution and international law.

However, as a result of these events and the Crimean parliament no longer recognising the authority of the Ukrainian national government, the Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Republic of Crimea.

As at 31 December 2014, the carrying value of the Group's investment property located in Simferopol, the administrative centre of the Republic of Crimea, amounted to USD 27,800 thousand. The ultimate effect of these developments in the Republic of Crimea on the Group's ability to continue operations in this region, to realise its related assets and to maintain and secure its ownership rights cannot yet be determined.

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

(c) Cyprus business environment

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central

Bank and the International Monetary Fund (the "Troika"), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of the Company as the Company does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Group's management has concluded that no additional provisions or impairment charges are necessary .The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

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

UAH and RUB are not freely convertible currencies outside Ukraine and the Russian Federation, and, accordingly, any conversion of UAH and RUB amounts into USD should not be construed as a representation that UAH and RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate (also refer to note 3(b)(*i*)).

The principal USD exchange rates used in the preparation of these consolidated financial statements are as follows.
Year-end USD exchange rates as at 31 December are as follows:

Currency	**2014**	2013
UAH	**15.77**	7.99
RUB	**56.26**	32.72*

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

Currency	**2014**	2013
UAH	**11.87**	7.99
RUB	**38.60**	31.91*

* no balances and transactions were translated from RUB to USD as at 31 December 2013 and for the year ended 31 December 2013.

As at the date of these consolidated financial statements are authorised for issue, 23 June 2015, the exchange rate is UAH 21.77 to USD 1.00 and RUB 53.56 to USD 1.00.

(d) Use of judgments, estimates and assumptions

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

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

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

- note 2(c) - determination of functional currency,
- note 3(b)*(i)* – application of foreign currency exchange rates,
- note 7 – valuation of investment property,
- note 8 – valuation of available-for-sale financial assets,
- note 9 – valuation and presentation of loans receivable,
- note 11 – valuation of trade and other receivables,
- note 12(a) – classification of assets held for sale,
- note 26 – calculation of deferred tax.

(e) Going concern

The Group incurred a net loss of USD 78,596 thousand in 2014 and, as at 31 December 2014, the Group's current liabilities exceed current assets by USD 84,208 thousand.

At the same time, the Group has positive equity of USD 61,654 thousand as at 31 December 2014 and positive cash flows from operating activities amounting to USD 5,496 thousand for the year then ended.

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

- During the year ended 31 December 2014, the Group has finalised the construction of the new shopping centre "Prospect" located in Kyiv which started its operations in September 2014. In accordance with the budget for 2015, net operating income from this shopping centre is estimated at USD 4,461 thousand. Management expects positive cash-flows from operations of shopping centre "Prospect" in 2015;

- In March 2015, the Group signed an amendment to the share exchange agreement in order to postpone the settlement of the deferred consideration payable of USD 20,000 thousand from 30 April 2015 to 30 April 2016 (refer to note 30(a));

- In March 2015, the Group signed an amendment to the loan agreement with Bytenem Co Limited in order to postpone the settlement of the outstanding balance of USD 17,471 thousand from 14 March 2015 to 14 March 2016 (refer to note 30(a));

- In December 2014, the Group concluded a new loan agreement with the EBRD for a facility up to USD 25,000 thousand to refinance an existing loan due to Oshchadbank amounting to USD 10,000 thousand and to repay amounts due to constructors of USD 15,000 thousand;
- The Group has financial support from the ultimate controlling party. Based on representations received from an entity under common control, management believes that the Group will not be required to settle the outstanding loan payable to International Baltic Investments of USD 15,582 thousand in 2015. In addition, management believes that the Group will be able to obtain new loans from entities under common control should this be required for operational and other needs of the Group.

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 these consolidated financial statements is appropriate and there is no significant uncertainty regarding the Group's ability to continue as a going concern.

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

(f) Measurement of fair values

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

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

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

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – investment property; and
- Note 27(e)(*iii*) – fair values.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If 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.

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

(ii) Subsidiaries

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

Consolidated entities are as follows:

Name	**Country of incorporation**	**Cost**		**% of ownership**	
		2014	2013	**2014**	2013
(in thousands of USD, except for % of ownership)					
Praxifin Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
U.A. Terra Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Museo Holdings Limited	Cyprus	**3**	3	**100.00%**	100.00%
Sunloop Co Limited	Cyprus	**3**	3	**100.00%**	100.00%
Lacecap Limited	Isle of Man	**3**	3	**100.00%**	100.00%
Beta Property Management Limited	Cyprus	**3**	3	**100.00%**	100.00%
Voyazh-Krym LLC	Ukraine	**363**	363	**100.00%**	100.00%
PrJSC Livoberezhzhiainvest	Ukraine	**69**	69	**100.00%**	100.00%
PrJSC Grandinvest	Ukraine	**69**	69	**100.00%**	100.00%
Arricano Property Management LLC	Ukraine	**5**	5	**100.00%**	100.00%
PrJSC UkrPanGroup	Ukraine	**59**	59	**100.00%**	100.00%
Prizma Alfa LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Development LLC	Ukraine	**9**	9	**100.00%**	100.00%
Prizma Development LLC	Ukraine	**4**	4	**100.00%**	100.00%
Arricano Real Estate LLC	Ukraine	**-**	-	**100.00%**	100.00%
Twible Holdings Limited	Cyprus	**-**	-	**100.00%**	100.00%
Gelida Holding Limited	Cyprus	**-**	-	**100.00%**	100.00%
Sapete Holdings Limited	Cyprus	**-**	-	**100.00%**	100.00%
Wayfield Limited	Cyprus	**-**	-	**100.00%**	100.00%
Comfort Market Luks LLC	Ukraine	**40,666**	40,666	**100.00%**	100.00%
Mezokred Holding LLC	Ukraine	**8,109**	8,109	**100.00%**	100.00%
Vektor Capital LLC	Ukraine	**11,441**	11,441	**100.00%**	100.00%
Budkhol LLC	Ukraine	**31,300**	31,300	**100.00%**	100.00%
Budkholinvest LLC	Ukraine	**-**	-	**100.00%**	-
Crimsonville Investments Limited	Cyprus	**-**	-	**100.00%**	-

On 12 September 2013, the Parent Company acquired Twible Holdings Limited and its subsidiary LLC Comfort Market Luks, Gelida Holding Limited and its subsidiary LLC Mezokred Holding, Sapete Holdings Limited and its subsidiary LLC Vektor Capital, Wayfield Limited and its subsidiary LLC Budkhol from entities under common control of the ultimate controlling party. The acquired subsidiaries hold a lease or priority lease rights for various land plots in Kyiv and Odesa and investment property under development. In the consolidated financial statements the acquisition of these subsidiaries was accounted for as an acquisition of assets and liabilities as they did not meet the definition of a business according to IFRS 3 *Business Combinations* (refer to note 5). The Group plans to develop or finalise development of investment properties on the land plots acquired. During the year ended 31 December 2014, Twible Holdings Limited and its subsidiary Comfort Market Luks LLC finalised the construction of the shopping centre “Prospect” in Kyiv (refer to note 7).

On 6 March 2014, the Group established Budkholinvest LLC, a new subsidiary of Wayfield Limited with incorporation in Ukraine. This subsidiary was established to act as the financing or investment company for one of the Group’s investment projects in Kyiv. As at 31 December 2014, the charter capital of Budkholinvest LLC amounted to USD 103 was unpaid.

On 24 July 2014, the Group established Crimsonville Investments Limited, a new subsidiary of U.A. Terra Property Management Limited with incorporation in Cyprus. This subsidiary was established for the purpose of facilitating operations, management and maintenance of the investment property located in the Republic of Crimea. As at the date of signing these consolidated financial statements this subsidiary is still dormant and has no assets or liabilities, due to sanctions imposed by the United States and the EU on individuals and businesses from Russia and Ukraine. As at 31 December 2014, the charter capital of Crimsonville Investments Limited amounted to USD 1,347 was unpaid.

(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 the control of the shareholder that controls the Group are accounted for using book value accounting. Any result from the acquisition is recognised directly in equity.

Disposals to entities under common control

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

(iv) 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.

(v) Transactions eliminated on consolidation

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

(b) Foreign currency transactions and operations

(i) Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

Foreign currency transactions of Group entities located in Ukraine

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

In March 2014, the NBU announced a transition to a floating foreign exchange rate regime following a significant devaluation of the national currency compared to major international currencies. From the second half of 2014 Ukraine is experiencing a significant shortage of foreign currency inflows, and Ukrainian banks experience a shortage of liquid funds due to premature withdrawals of household deposits and severe constraints in access to domestic and external market funding. Certain currency control measures as imposed by the NBU were in place throughout 2014 and through the date of these consolidated financial statements. The official rates of the NBU may not necessarily represent the rates at which the foreign currency is available at the reporting date. In practice, market participants may have to incur additional fees and commissions to buy foreign currency and/or necessary amounts of foreign currency may not be readily available in the market. Due to the combination of these factors, actual market foreign exchange rates may be significantly higher than NBU rates. Consequently, application of exchange rates other than those established by the NBU may have significant impact on the Group's reported financial position and financial results.

(ii) **Foreign operations**

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

(c) Financial instruments

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

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets and 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 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.

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 currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(ii) Non-derivative financial assets and financial liabilities – measurement

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 financial assets: trade and other receivables as presented in note 11, loans receivable as presented in note 9, restricted deposits and cash and cash equivalents as presented in note 14.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

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 other 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 (refer to note 3(i)*(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 reliably be measured are carried at cost.

Available-for-sale financial assets comprise equity securities.

(iii) Non-derivative financial liabilities - measurement

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 as presented in note 17, finance lease liability as presented in note 18, trade and other payables as presented in note 19 and other liabilities as presented in note 21.

(iv) Capital and reserves

Share capital

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

Share premium

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

Additional paid-in capital

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

Retained earnings

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

Other reserves

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

Foreign currency translation differences

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

(d) 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 capitalised borrowing costs.

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

(ii) **Subsequent measurement**

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

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

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

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

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

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

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

(e) Property and equipment

(i) **Recognition and measurement**

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

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

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

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

(ii) **Reclassification to investment property**

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

(iii) **Subsequent costs**

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

(iv) **Depreciation**

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. 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.

(f) Intangible assets

(i) **Recognition and measurement**

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

(ii) **Subsequent expenditure**

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

(iii) **Amortisation**

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

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

- software 3-5 years

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

(g) 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.

(h) Assets held for sale

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

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

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

(i) 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.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults, the disappearance of an active market for a security or observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

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

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's 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. When the Group believes that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. 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 and the decrease can be related objectively to an event occurring after the impairment was recognised, 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 each year at the same time.

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

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

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

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

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

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

(j) 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.

(k) Revenue

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

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

(ii) **Sale of services**

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(l) Leases

(i) **Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines 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 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.

(ii) **Leased assets**

Assets held by the Group under leases that transfer to the Group 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.

(iii) **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 cost and the reduction of the outstanding liability. The finance cost 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.

(m) Finance income and costs

Finance income comprises interest income on funds invested, foreign currency gains, income from derecognition of finance lease liabilities and gains on initial recognition of financial liabilities at fair value. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and on deferred consideration and foreign exchange loss and impairment of available-for-sale financial assets.

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 as other income or expense.

(n) Income tax expense

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

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

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

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

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

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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.

(o) Earnings per share

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

As at 31 December 2014 and 2013, there were no potential dilutive ordinary shares.

(p) Segment reporting

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

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

(q) Adoption of new and revised International Financial Reporting standards and Interpretations

As from 1 January 2014, the Company adopted all changes to International Financial Reporting Standards which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Company.

(r) 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 2014, and have not been applied in preparing these consolidated financial statements. 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 analysed the likely impact of these new standards on its consolidated financial statements.

- IFRS 9 *Financial* Instruments, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. The Group does not intend to adopt this standard early.
- IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. The Group does not intend to adopt this standard early.

- 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 on or after 1 January 2015. Entities are permitted to apply them earlier. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Changes in presentation of related party disclosures

During the year ended 31 December 2014, the Group management became aware that one of the Group's counterparties which has been providing and continues to provide major construction services to the Group, and which was considered by management to be a related party up to and including 2013 due to its relationship with the ultimate controlling party of the Company, was disposed in 2011 out of control of the ultimate controlling party to an entity in which a close family member of one of the Company's minority shareholders has significant interest. As of the date of this disposal, the Company no longer has a reportable related party relationship with the said counterparty. Consequently, as at 31 December 2014, the transactions and balances with this counterparty are not presented as related party relationships and corresponding changes to comparative information were made in these consolidated financial statements to conform to the current year presentation.

5 Acquisition of subsidiaries

On 12 September 2013, the Group acquired Twible Holdings Limited and its subsidiary LLC Comfort Market Luks, Gelida Holding Limited and its subsidiary LLC Mezokred Holding, Sapete Holdings Limited and its subsidiary LLC Vektor Capital, Wayfield Limited and its subsidiary LLC Budkhol from entities under common control. The acquisition of these subsidiaries was accounted for as an acquisition of assets and liabilities as they did not meet the definition of a business according to IFRS 3 *Business Combinations* and the Group has transferred 28,350,214 ordinary shares issued for the purposes of IPO in exchange for these assets and liabilities. In addition, the Group has agreed to pay a deferred consideration related to acquisition of the shares of Wayfield Limited and its subsidiary LLC Budkhol via a cash payment of USD 20,000 thousands in two tranches. The first tranche amounting to USD 10,000 thousand was to be paid before 30 April 2014, while the payment of the second tranche was to be paid not later than 30 April 2015. The Group is liable to pay quarterly interest on any deferred consideration outstanding at the rate of 9.75% per annum.

In May 2014, the Group signed an amendment to the share exchange agreement in order to postpone the payment of USD 10,000 thousand from 30 April 2014 to 30 April 2015 (refer to note 21). In March 2015, the Group signed an amendment to the share exchange agreement in order to postpone the payment of USD 20,000 thousand from 30 April 2015 to 30 April 2016 (refer to notes 21, 30(a)).

The fair value of the shares transferred in the above transaction was determined by reference to the market price of the Parent Company's ordinary shares of USD 2.33 per share. This price was determined based on the price of shares settled by a third party in cash on the date the Parent Company was admitted for trading. The excess of the fair value of the acquired assets and liabilities over the fair value of shares transferred and deferred consideration payable was recognised as contribution from the shareholder within share premium.

The cost of the acquisition was allocated to the assets and liabilities acquired based on their relative fair values as follows:

(in thousands of USD)	
Investment property	86,859
Long-term VAT recoverable	2,579
Property and equipment	8
Trade and other receivables	15
Loans receivable	1,209
Prepayments made	3,752
Cash and cash equivalents	4,233
Assets classified as held for sale (refer to note 12)	5,833
Finance lease liability	(2,155)
Other long-term liabilities	(253)
Short-term borrowings	(2)
Trade and other payables	(206)
Tax payables	(25)
Advances received	(9,835)
Liabilities classified as held for sale	(496)
Net identifiable assets and liabilities	91,516
Deferred consideration (refer to note 21)	20,000
Fair value of the shares transferred (refer to note 15)	66,056
Fair value of consideration transferred	86,056
Contribution from shareholders	5,460

The share purchase agreements stipulated that certain loans payable by the acquired subsidiaries to a third party and entities under common control are to be re-assigned to Arricano for a nominal amount of EUR 1 each. Accordingly, as at the date of acquisition the relative fair value of these loans is considered to be nil despite that formal legal procedures for loan re-assignment were only substantially completed in the fourth quarter of 2013.

As at 12 September 2013, included in investment property are priority land lease rights for three land plots located in Odesa amounting to USD 10,900 thousand in total. These priority land lease rights were recognised since LLC Vektor Capital, being the owner of non-residential premises located on these land plots, had the priority right to conclude land lease agreements with the Odesa City Council. On 17 December 2013, these land lease agreements were approved to be concluded with formal sign-off finalised on 20 March 2014 (refer to note 18).

6 Amendments to the consolidated financial statements that were authorized for issue

Subsequent to the date that the original consolidated financial statements as at and for the year ended 31 December 2014 were authorised for issue, 28 April 2015, management was able to obtain additional information about matters affecting the recoverable values of certain assets and proceeded to amend the consolidated financial statements of the Group as at and for the year ended 31 December 2014 and submit anew the consolidated financial statements for approval and authorization for issuance.

Management determined that certain corrections to the amounts initially reported are required:

- Recognition of impairment of available-for-sale financial asset for the amount of USD 20,727 thousand as at 31 December 2014 (refer to note 8);

- Recognition of impairment of loans receivable for the amount of USD 39,761 thousand, including accrued interest in the amount of USD 9,761 thousand (refer to note 9).

The table below represents the summarised impact of the corrections to the originally reported amounts on the consolidated statement of financial position as at 31 December 2014:

(in thousands of USD)	**31 December 2014** ***(as originally reported)***	**Amendments**	**31 December 2014** ***(amended)***
Assets			
Non-current assets			
Investment property	**205,552**	**-**	**205,552**
Available-for-sale financial assets	**20,727**	**(20,727)**	**-**
Deferred tax asset	**-**	**-**	**-**
Long-term loans receivable	**41,323**	**(39,761)**	**1,562**
Long-term VAT recoverable	**6,575**	**-**	**6,575**
Property and equipment	**433**	**-**	**433**
Intangible assets	**33**	**-**	**33**
Restricted deposits	**897**	**-**	**897**
Total non-current assets	**275,540**	**(60,488)**	**215,052**
Current assets			
Inventories	**3**	**-**	**3**
Trade and other receivables	**1,331**	**-**	**1,331**
Loans receivable	**8,790**	**-**	**8,790**
Prepayments made and other assets	**576**	**-**	**576**
VAT recoverable	**2,273**	**-**	**2,273**
Assets classified as held for sale	**9,702**	**-**	**9,702**
Restricted deposits	**1,385**	**-**	**1,385**
Cash and cash equivalents	**832**	**-**	**832**
Total current assets	**24,892**	**-**	**24,892**
Total assets	**300,432**	**(60,488)**	**239,944**

(in thousands of USD)	**31 December 2014** ***(as originally reported)***	**Amendments**	**31 December 2014** ***(amended)***
Equity and Liabilities			
Equity			
Share capital	**67**	**-**	**67**
Share premium	**183,727**	**-**	**183,727**
Additional paid-in capital	**59,713**	**-**	**59,713**
Retained earnings	**32,401**	**(60,488)**	**(28,087)**
Other reserves	**(61,983)**	**-**	**(61,983)**
Foreign currency translation differences	**(91,783)**	**-**	**(91,783)**
Total equity	**122,142**	**(60,488)**	**61,654**
Non-current liabilities			
Long-term borrowings	**52,734**	**-**	**52,734**
Advances received	**1,158**	**-**	**1,158**
Finance lease liability	**8,128**	**-**	**8,128**
Trade and other payables	**5,558**	**-**	**5,558**
Other long-term liabilities	**141**	**-**	**141**
Deferred tax liability	**1,471**	**-**	**1,471**
Total non-current liabilities	**69,190**	**-**	**69,190**
Current liabilities			
Short-term borrowings	**44,222**	**-**	**44,222**
Trade and other payables	**37,221**	**-**	**37,221**
Tax payables	**163**	**-**	**163**
Advances received	**6,153**	**-**	**6,153**
Current portion of finance lease liability	**2**	**-**	**2**
Other liabilities	**20,412**	**-**	**20,412**
Liabilities classified as held for sale	**927**	**-**	**927**
Total current liabilities	**109,100**	**-**	**109,100**
Total liabilities	**178,290**	**-**	**178,290**
Total equity and liabilities	**300,432**	**(60,488)**	**239,944**

The table below represents the summarised impact of the correction to the originally reported amounts on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014:

(in thousands of USD, except earnings per share)	**2014 (as originally reported)**	**Amendments**	**2014 (amended)**
Revenue	**22,791**	**-**	**22,791**
Other income	**420**	**-**	**420**
Gain on revaluation of investment property	**42,250**	**-**	**42,250**
Goods, raw materials and services used	**(809)**	**-**	**(809)**
Operating expenses	**(11,137)**	**(39,761)**	**(50,898)**
Employee costs	**(3,013)**	**-**	**(3,013)**
Depreciation and amortisation	**(276)**	**-**	**276)**
Profit from operating activities	**50,226**	**(39,761)**	**10,465**
Finance income	**6,071**	**-**	**6,071**
Finance costs	**(65,392)**	**(20,727)**	**(86,119)**
(Loss) profit before income tax	**(9,095)**	**(60,488)**	**(69,583)**
Income tax expense	**(9,013)**	**-**	**(9,013)**
Net (loss) profit for the year	**(18,108)**	**(60,488)**	**(78,596)**
Items that will be reclassified to profit or loss:			
Foreign exchange losses on monetary items that form part of net investment in the foreign operation, net of tax effect	**(146,523)**	**-**	**(146,523)**
Foreign currency translation differences	**55,252**	**-**	**55,252**
Total items that will be reclassified to profit or loss	**(91,271)**	**-**	**(91,271)**
Other comprehensive loss	**(91,271)**	**-**	**(91,271)**
Total comprehensive (loss) income for the year	**(109,379)**	**(60,488)**	**(169,867)**
Weighted average number of shares (in shares)	**103,270,637**	**-**	**103,270,637**
Basic and diluted (loss) earnings per share, USD	**(0.17534)**	**-**	**(0.76107)**

7 Investment property

(a) Movements in investment property

Movements in investment properties for the year ended 31 December are as follows:

(in thousands of USD)	**Land held on freehold**	**Land held on leasehold**	**Buildings**	**Prepayment for investment property**	**Property under construction**	**Total**
At 1 January 2013	9,200	10,369	136,198	-	5,449	161,216
Additions	-	5,144	199	11,672	20,958	37,973
Additions through assets acquisition	-	62,256	-	1,244	23,359	86,859
Transfers	-	-	23,453	(5,412)	(18,041)	-
Fair value gains (losses) on revaluation	(200)	(300)	2,251	-	-	1,751
At 31 December 2013/ 1 January 2014	9,000	77,469	162,101	7,504	31,725	287,799
Additions	**-**	**3,334**	**18,315**	**541**	**20,590**	**42,780**
Transfers*	**-**	**-**	**31,446**	**(5,393)**	**(26,053)**	**-**
Fair value gains on revaluation	**3,280**	**11,792**	**24,897**	**-**	**-**	**39,969**
Transfer to assets held for sale	**-**	**(5,596)**	**-**	**(15)**	**(733)**	**(6,344)**
Currency translation adjustment	**(5,380)**	**(39,727)**	**(98,505)**	**(2,582)**	**(12,458)**	**(158,652)**
At 31 December 2014	**6,900**	**47,272**	**138,254**	**55**	**13,071**	**205,552**

* As at 31 December 2014, the Group had not obtained the title documents for the shopping centre “Prospect” in Kyiv with a total gross leasable area (GLA) of nearly 30,400 square meters and a carrying value of USD 29,100 thousand. On 5 March 2015, the Group has obtained title documents for the shopping center “Prospect”. In September 2014, this shopping centre started its operations.

During the year ended 31 December 2014, acquisition of a land plot held on leasehold of USD 3,334 thousand was financed through finance lease (2013: USD 5,144 thousand) (refer to note 18).

During the year ended 31 December 2014, 79% of total construction services were purchased from one company (2013: 79% of total construction services) (refer to note 4).

During the year ended 31 December 2014, capitalised borrowing costs related to the construction of the new shopping centre in Kyiv amounted to USD 476 thousands (2013: USD 795 thousand and were related to the construction of the new shopping centre in Simferopol), with a capitalisation rate of 11.5% (2013: 11%).

As at 31 December 2014, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 143,878 thousand (2013: USD 193,111 thousand) (refer to note 28(a)).

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within Level 3 category due to significance of unobservable inputs to the entire measurement, except for the land held on the leasehold which is not associated with completed property and is therefore categorised within Level 2 category. As at 31 December 2014, the fair value of land held on leasehold categorized within Level 2 category is USD 25,800 thousand (2013: USD 49,700 thousand). To assist with the estimation of the fair value of the Group's investment property as at 31 December 2014, which is represented by the shopping centres, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

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

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

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

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

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

As at 31 December 2013, the estimation of fair value is made using a net present value calculation based on certain assumptions, the most important of which are as follows:

- monthly rental rates which were based on contractual and market rental rates ranging from USD 3.00 to USD 48.70 per sq.m., occupancy rates ranging from 95% to 99% and discount rates ranging from 13.50% to 17.20% p.a, which represent key unobservable inputs for determination of fair value;
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

The reconciliation from the opening balances to the closing balances for Level 3 fair value measurements is presented in note 7(a).

As at 31 December 2014, fair value of investment property denominated in functional currency amounted to UAH 2,950,175 thousand and RUB 1,035,233 thousand (31 December 2013: UAH 2,300,375 thousand). The increase in fair value of investment property results from increased rental rates invoiced in Ukrainian Hryvnia due to the increase in the exchange rates applied to the USD equivalent of rental rates fixed in the contracts.

Sensitivity at the date of valuation

The valuation model used to assess the fair value of investment property as at 31 December 2014 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 1,603 thousand (2013: USD 1,756 thousand) lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 1,603 thousand (2013: USD 1,756 thousand) higher.
- If the discount rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 10,362 thousand (2013: USD 11,747 thousand) lower. If the discount rate is 1% less, then the fair value of investment properties would be USD 11,908 thousand (2013: USD 13,563 thousand) higher.
- If the occupancy rates are 1% higher than those used in the valuation models, the fair value of investment properties would be USD 1,351 thousand higher (2013: if the occupancy rates are 1% higher than those used in the valuation models, or are assumed to be 100% for the shopping centers in Zaporizhzhya and Kyiv, the fair value of investment properties would be USD 1,813 thousand higher). If the occupancy rates are 1% less, then the fair value of investment properties would be USD 1,430 thousand (2013: USD 3,040 thousand) lower.

8 Available-for-sale financial assets

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

Assofit Holdings Limited (Assofit) 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 the 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 31 December 2013, Assofit was operating Skymall shopping centre with a total gross leasable area of nearly 65,600 square metres through its wholly owned subsidiary Prizma Beta LLC. As at 31 December 2013, management assessed impairment indicators for investment in Assofit. As a result of this analysis, management concluded that as at 31 December 2013 there were 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 Skymall shopping centre that as at 31 December 2011 was measured at fair value, as determined by an independent qualified appraiser using the income approach. There were no decreases in rental rates for similar properties since that date up to 31 December 2013 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;
- Assofit was operating under direction of a receiver appointed by the court to protect the rights of Arricano as a minority shareholder. Therefore, potential transfer of significant assets from the entity was deemed to be controlled by the receiver;
- As at 31 December 2013, a significant portion of liabilities of Assofit was represented by loans payable by the Ukrainian subsidiary of Assofit, Prizma Beta LLC, to Filgate Credit Enterprises Limited. In accordance with a final award issued by the United Nations Commission on International Trade Law Tribunal on 9 June 2011, these loans together with accrued interest were to be assigned from Filgate Credit Enterprises Limited to the entity under joint control of Arricano and Stockman Interhold S.A., the majority shareholder of Assofit, for a nominal price of EUR 1 each.

On 28 January 2014, the Highest Economic Court of Ukraine upheld the rulings of the lower instances courts to re-assign the abovementioned loans payable amounting to USD 120,000 thousand to Assofit. A subsequent appeal of Filgate Credit Enterprises Limited to the Supreme Court of Ukraine was not satisfied, thus leaving the abovementioned decision of the Highest Economic Court of Ukraine unchanged and in effect. These loans were reassigned to Torsem Co Limited, jointly owned by two BVI holding companies. As 31 December 2013, Arricano had a right to acquire one of the abovementioned BVI holding companies in accordance with the final award issued by the United Nations Commission on International Trade Law Tribunal on 9 June 2011. Management believed this right proved that value of investment into Assofit significantly exceeded its carrying amount.

In September 2014, Assofit transferred the shares of Prizma Beta LLC to Financial and Investment Solutions BV, a company registered in the Netherlands, despite the fact that an Interim Receiver was appointed in Assofit with the responsibility of collecting and safeguarding Assofit's assets. Further, in September 2014, Joint-Stock Bank Pivdennyi PJSC, Ukraine, which had an outstanding mortgage loan from Prizma Beta LLC of USD 32,000 thousand, exercised its right to recover the above-mentioned loan by means of reposession of ownership rights to the Skymall shopping centre which was pledged to secure this loan in September 2014. Consequently, Assofit has lost legal control over the Skymall shopping centre. The Group is contesting the eligibility of these developments in court (refer to note 28 (d)*(i)*). As a result of the abovementioned events, as at 31 December 2014 there are indications that the carrying amount of available-for-sale financial assets might not be recoverable. Correspondingly, management has performed an impairment assessment of available-for-sale financial assets as at that date. Based on the results of this assessment, management has determined that due to loss of the legal control over major asset, represented by the Skymall shopping centre, investment in Assofit fully is impaired as at 31 December 2014.

9 Loans receivable

Loans receivable as at 31 December are as follows:

	2014	2013
(in thousands of USD)		
Non-current assets		
Long-term loans receivable due from third parties	**1,340**	1,340
Accrued interest receivable due from third parties	**222**	179
Long-term loans receivable due from related parties	**30,000**	-
Accrued interest receivable due from related parties	**9,761**	-
Impairment of loans receivable due from related parties	**(39,761)**	-
	1,562	1,519
Current assets		
Short-term loans receivable due from related parties	**401**	30,879
Accrued interest receivable due from related parties	**-**	8,579
Short-term loans receivable due from third parties	**7,576**	8,088
Accrued interest receivable due from third parties	**1,149**	923
Impairment of loans receivable due from related parties	**(336)**	-
	8,790	48,469

Loans receivable from third parties

As at 31 December 2014 and 2013, the long-term loans receivable from third party have their maturity date on 31 December 2018, are unsecured and bear a 3.2% interest rate per annum that is fully capitalised and to be repaid together with the principal.

As at 31 December 2014, short-term loans receivable due from third parties in the amount of USD 8,199 thousand (2013: USD 7,973 thousand) are represented by a loan, which bears a 3.2% interest rate per annum and is overdue. Management of the Group believes that it will be able to recover this loan receivable due from the third party due to the existence of sufficient assets of a short-term nature at the borrower and, accordingly, this loan receivable is not considered to be impaired. Should actual collections prove to be less than management estimates, the Group will be required to record additional impairment expense in the next reporting period. The Group management exercises significant judgment in presentation of this loan due within current assets.

Loans receivable from related parties

In July 2011 the Parent Company granted a loan to Weather Empire Limited with the purpose of buying 1,077 shares in the Parent Company's share capital from Retail Real Estate S.A. As at 31 December 2014, the resulting loan receivable of USD 39,761 thousand (2013: USD 38,579 thousand), including accrued interest of USD 9,761 thousand (2013: USD 8,579 thousand), is unsecured, bears a 3% fixed interest rate that is fully capitalised and repayable together with the principal and is overdue.

In July 2013 the shares of Weather Empire Limited were transferred to the Parent Company's major shareholders pro-rata to their ownership rights due to non-exercising of its conversion rights by ELQ Investors II Ltd and later on or about 12 August 2013 were transferred in full to Retail Real Estate S.A. Subsequent to this transfer, settlement of the loan by Weather Empire Limited depends on the intention and ability of the Company's majority shareholder and ultimate controlling party to repay this loan.

As at 31 December 2013, this loan was presented within current assets in accordance with its contractual maturity.

As at 31 December 2014, this loan is overdue and management considers this to be irrecoverable. In this respect management has proceeded with the full impairment of that loan receivable of USD 39,761 thousand, including accrued interest of USD 9,761 thousand, as at 31 December 2014. Corresponding impairment loss of USD 39,761 thousand has been recognised in the consolidated statement of profit or loss and other comprehensive income for 2014.

Included in short-term loans receivable as at 31 December 2014 is also a loan due from PrJSC Dniprovska Prystan, a subsidiary of Assofit Holdings Limited, amounting to USD 336 thousand (2013: USD 664 thousand) which is overdue. Full amount of receivable was impaired as of 31 December 2014.

As at 31 December 2014, the remaining short-term loans receivable granted to related parties and third parties of USD 591 thousand are due within one year, unsecured and interest-free (2013: USD 1,253 thousand).

10 VAT recoverable

Management presents VAT recoverable within non-current and current assets based on the expected timing of VAT liabilities being available against which VAT recoverable can be utilised.

Management expects that long-term VAT recoverable will be recovered in full by 2018.

11 Trade and other receivables

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

(in thousands of USD)	**2014**	2013
Trade receivables from related parties	**5,394**	10,761
Other receivables from related parties	**9,391**	9,654
Allowance for impairment	**(14,409)**	(17,282)
	376	3,133
Trade receivables from third parties	**982**	1,426
Other receivables from third parties	**100**	53
Allowance for impairment	**(127)**	(288)
	955	1,191
	1,331	4,324

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

As at 31 December 2014, included in other receivables from related parties are receivables from Dniprovska Prystan PrJSC amounting to USD 9,029 thousand (2013: USD 9,260 thousand), which are overdue. In 2012, the court ruled to initiate bankruptcy proceedings against the mentioned related party and, as at 31 December 2014, the decision which would declare Dniprovska Prystan PrJSC insolvent has not yet been made. Full amount of receivable was impaired as at 31 December 2014.

12 Assets held for sale

(a) Movements in assets held for sale

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

(in thousands of USD)	**Land held on leasehold**	**Buildings**	**Prepayment for investment property**	**Property under construction**	**Other assets**	**Total**
At 1 January 2013	**-**	**-**	**-**	**-**	**-**	**-**
Additions through assets acquisition (refer to note 5)	-	423	-	-	5,410	5,833
At 1 January 2014	**-**	**423**	**-**	**-**	**5,410**	**5,833**
Transfer from investment property	**5,596**	**-**	**15**	**733**	**-**	**6,344**
Transfer from VAT recoverable	**-**	**-**	**-**	**-**	**83**	**83**
Additions	**80**	**-**	**104**	**55**	**-**	**239**
Transfers	**-**	**-**	**(84)**	**84**	**-**	**-**
Fair value gain on revaluation	**2,281**	**-**	**-**	**-**	**-**	**2,281**
Currency translation adjustment	**(1,961)**	**(208)**	**(11)**	**(218)**	**(2,680)**	**(5,078)**
At 31 December 2014	**5,996**	**215**	**24**	**654**	**2,813**	**9,702**

On 3 April 2014, the Board of Directors of the Company committed to a plan to sell Gelida Holding Limited and its subsidiary Mezokred Holding LLC to the ultimate controlling party of the Group. Accordingly, the assets and liabilities of the abovementioned subsidiaries are presented as classified as held for sale as at 31 December 2014. Assets of these subsidiaries are represented by investment property, which is a land plot, including the finance lease asset, measured at fair value of USD 5,996 thousand, prepayments for investment property in the amount of USD 24 thousand, property under construction measured at cost of USD 654 thousand and other assets of USD 71 thousand as at 31 December 2014. As at 31 December 2014, the Group recognised a gain on revaluation of this land plot in the amount of USD 2,281 thousand. During the year ended 31 December 2014, additions to land plot held on leasehold of USD 80 thousand were financed through finance lease. Based on representation obtained from the ultimate controlling party, management believes that subsidiaries Gelida Holding Limited and Mezokred Holding LLC will be sold without causing financial losses or equity reduction to Arricano. Accordingly, management believes that the assets of these subsidiaries are not impaired and are appropriately classified as held for sale as at 31 December 2014.

As at 31 December 2014, the Group is involved as a defendant in a lawsuit alleging invalidation of a resolution of the Kyiv City Council, according to which the latter has approved an allocation of a land plot for construction of the hypermarket to Mezokred Holding LLC and entitled Mezokred Holding LLC to lease this land plot for a period of 25 years (refer to note 28(d)*(iii)*).

Included in other assets classified as held for sale as at 31 December 2014, is a land plot with a carrying amount of USD 2,742 thousand (2013: USD 5,410 thousand), which is intended to be transferred by one of the Group's subsidiaries, Comfort Market Luks LLC, to a third party in accordance with an investment agreement concluded between the parties.

Based on this investment agreement, Comfort Market Luks LLC acted as an intermediary in the construction of a hypermarket with a total estimated area of 11,769 square meters and a parking lot with a total estimated area of 20,650 square meters.

As at 31 December 2013, the advance payment received under the investment agreement with a third party amounted to USD 14,636 thousand (refer to note 20). Simultaneously, Comfort Market Luks LLC concluded a contract of mandate, according to which this third party acted as a representative of the developer in the construction of this hypermarket and parking lot. As at 31 December 2013, prepayment made to this third party and other assets under the contract of mandate amounted to USD 8,110 thousand and prepayments made to other third parties and other assets under the abovementioned investment agreement amounted to USD 784 thousand (refer to note 13). As at 31 December 2014, the construction of the hypermarket and a parking lot is finalised and, except for the abovementioned land plot to be transferred, the investment agreement is considered to be executed. Management expects that the land plot will be transferred to the third party in 2015 subject to completion of formal legal procedures. As at 31 December 2014, advance payment received under this investment agreement amounts to USD 2,917 thousand (refer to note 20) and will be settled upon transfer of the land plot.

(b) Determination of fair value

The fair value measurement, developed for determination of fair value of the Group's investment property classified as held for sale, which is represented by a land plot, is based on market prices for similar properties and is categorised within the Level 2 category. To assist with the estimation of the fair value of the investment property classified as held for sale as at 31 December 2014, management engaged registered independent appraiser Expandia LLC, part of the CBRE Affiliate network, having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

13 Prepayments made and other assets

As at 31 December 2014, prepayments made are represented by other prepaid miscellaneous expenses in the amount of USD 576 thousand (2013: USD 1,222 thousand). As at 31 December 2013, the prepayments made also included prepayments made and other assets under the investment agreement and the associated contract of mandate for the amount of USD 8,894 thousand in total (refer to note 12).

14 Cash and cash equivalents

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

(in thousands of USD)	**2014**	2013
Bank balances	**510**	2,892
Call deposits	**193**	8,798
Cash in transit	**129**	150
	832	11,840

Excluded from cash and cash equivalents as at 31 December 2014 are restricted deposits in amounts of USD 1,385 thousand and USD 897 thousand with maturity in 2015 and 2020, respectively (2013: USD 663 thousand and USD 820 thousand, with a maturity in 2014 and 2020, respectively). These deposits serve as pledge under three different loan facilities (refer note 28(a)).

As at 31 December 2014, cash and cash equivalents placed with two bank institutions amounted to USD 612 thousand, or 74% of the total balance of cash and cash equivalents (2013: USD 11,476 thousand, or 97%). In accordance with Moody's rating, these banks are rated as Caa2 and A2 as at 31 December 2014 (2013: both banks were rated as A2).

15 Share capital

Share capital as at 31 December is as follows:

	2014 Number of shares	**2014 US dollars**	**2014 EUR**	2013 Number of shares	2013 US dollars	2013 EUR
Issued and fully paid						
At 1 January	**103,270,637**	**66,750**	**51,635**	85,026,309	53,856	42,513
Forfeiture of shares	**-**	**-**	**-**	(20,406,309)	(12,789)	(10,203)
Issue of shares	**-**	**-**	**-**	38,650,637	25,683	19,325
At 31 December	**103,270,637**	**66,750**	**51,635**	103,270,637	66,750	51,635
Authorised						
At 1 January	**106,000,000**	**68,564**	**53,000**	85,026,320	53,856	42,513
Forfeiture of shares	**-**	**-**	**-**	(20,406,309)	(12,789)	(10,203)
Issue of shares	**-**	**-**	**-**	41,379,989	27,497	20,690
At 31 December	**106,000,000**	**68,564**	**53,000**	106,000,000	68,564	53,000
Par value, EUR	**-**	**-**	**0.0005**	-	-	0.0005

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

During the years ended 31 December 2014 and 2013 the Group did not declare any dividends.

Initial public offering of the Company's shares

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

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 each and on the same day the authorised share capital was further increased to Euro 42,513.16 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 a decision on allotment of 20,406,309 shares to new investors for a 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 had neither completed the listing on the London AIM nor had it completed the purchase of certain properties for development. Under those 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 in question. 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 deemed 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 a decrease in share capital by USD 13 thousand, share premium by USD 69,987 thousand and increase in other reserves by USD 70,000 thousand.

Further, as part of the initial public offering (IPO) of the Company's shares at London AIM, on 20 July 2013 the Shareholders approved the increase of the Company's authorised share capital to EUR 53,000 (or USD 68,564) divided into 106,000,000 ordinary shares of nominal value EUR 0.0005 each.

On 12 September 2013 the Company was admitted for trading on London AIM. As a result of the IPO, the Company placed 38,650,637 ordinary shares and had an effect on equity of USD 93,759 thousand. 28,350,214 ordinary shares were transferred to entities under common control as consideration for acquired subsidiaries at a fair value of USD 66,056 thousand (refer to note 5) and 10,300,423 ordinary shares that were settled in cash at a price of USD 2.33 per share. Cash proceeds from placement of 10,300,423 ordinary shares, net of direct costs related to the IPO process of USD 1,757 thousand, amounted to USD 22,243 thousand.

Call option agreement with ELQ Investors II Ltd.

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 USD 40 million at an interest rate of 11.5% per annum. Out of the maximum amount, USD 30 million were provided to the Company. The funds were used by the Company to provide a loan (with an initial interest at 11.85% p.a.) to Weather Empire Limited (a special purpose vehicle incorporated in the British Virgin Islands) in order to purchase 1,077 shares (or 16.67% of subscribed share capital) in the Company from Retail Real Estate S.A.

As part of the transaction, ELQ Investors II Ltd. received one Initial Arricano Share. The shares purchased by Weather Empire Limited were held under escrow by a Cypriot escrow agent, Themis Professional Services Limited. In accordance with a call option agreement, from 14 July 2011 ELQ Investors II Ltd. obtained the right to receive the entire issued capital of Weather Empire Limited, which in turn held the 1,077 ordinary shares of the Company, for USD 1. However, the conversion right expired in July 2013 and accordingly the loan due to ELQ Investors II Ltd became repayable.

In July 2013, the Company entered into a settlement and release deed, in accordance with which related parties of the Group and UBS AG agreed to settle the Company's indebtedness due to ELQ Investors II Ltd. Simultaneously, the Company concluded two loan agreements with these related parties amounting to USD 36,974 thousand in total. One loan amounting to USD 8,475 thousand was repaid on 20 September 2013. As at 31 December 2013, the loan amounting to USD 28,500 thousand was payable on demand by 17 December 2014 at the latest. Also, the Company issued an irrevocable guarantee to UBS AG securing the repayment of the loan obtained by the related party for the amount of USD 28,800 thousand and the interest accrued thereon. During the year ended 31 December 2014, the Group signed an amended loan agreement with this related party, stipulating a decrease of the loan principal to USD 15,300 thousand and prolongation of the final repayment date until 13 August 2017, although the loan remains payable on demand in accordance with the contractual terms of the loan agreement (refer to note 17). Accordingly, the amount secured by the irrevocable guarantee issued to UBS AG was decreased to USD 15,300 thousand, plus interest accrued thereon and other specified costs related to the loan facility provided by UBS AG. Later in 2014, the related party settled its liabilities to UBS AG in full, and, as at 31 December 2014, the Company's obligations under the irrevocable guarantee issued to UBS AG were extinguished.

16 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the loss for the year ended 31 December 2014 attributable to ordinary shareholders of USD 78,596 thousand, and a weighted average number of ordinary shares outstanding as at 31 December 2014 of 103,270,637.

The calculation of basic earnings per share for the year ended 31 December 2013 was based on the profit for the year ended 31 December 2013 attributable to ordinary shareholders of USD 3,197 thousand and a weighted average number of ordinary shares outstanding of 84,262,942.

The Group has no potential dilutive ordinary shares.

17 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 27.

(in thousands of USD)	**2014**	2013
Non-current		
Secured bank loans	**50,073**	62,391
Unsecured loans from related parties	**2,661**	-
	52,734	62,391
Current		
Secured bank loans (current portion of long-term bank loans)	**10,808**	10,277
Unsecured loans from related parties (including current portion of long-term loans from related parties)	**33,203**	30,121
Unsecured loans from third parties	**211**	225
	44,222	40,623
	96,956	103,014

Terms and debt repayment schedule

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

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

As at 31 December 2013, the terms and debt repayment schedule of loans and borrowings are as follows:

(in thousands of USD)	Currency	Nominal interest rate	Contractual year of maturity	Carrying value
Secured bank loans				
OJSC “Bank “St.Petersburg”	USD	10.50%	2014-2020	24,849
EBRD	USD	3M LIBOR + 4.5%	2014-2018	23,441
Raiffeisen Bank Aval	USD	10.75%	2014-2020	14,287
Oshchadbank	USD	11.50%	2020	10,091
				72,668
Unsecured loans from related parties				
International Baltic Investments	USD	9.55%	2014	29,808
Loans from other related parties	UAH/USD	0.00%	2014	501
				30,309
Unsecured loans from third parties				
Other	USD	3.20%	2013	37
				37
				103,014

As at 31 December LIBOR for USD is as follows:

	2014	2013
LIBOR USD 3M	**0.26%**	0.24%

For a description of assets pledged by the Group in connection with loans and borrowings refer to note 28(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 in respect of the shopping centre “RayOn” located in Kyiv and to finance the construction of the shopping centre “South Gallery” located in Simferopil for the amounts of USD 14,000 thousand and USD 11,000 thousand, respectively.

PJSC Raiffeisen Bank Aval

In June 2013, the Group concluded loan agreement with PJSC Raiffeisen Bank Aval for an irrevocable credit line with a limit of USD 15,000 thousand to refinance existing borrowings. The credit line bears 10.75% interest rate p.a. and matures in July 2020. The loan was provided to LLC Prizma Alfa, the entity owning shopping centre “City Mall”.

Oshchadbank

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

In March 2015, the Group settled the outstanding amount of loan payable to Oshchadbank using the funds received from the EBRD. The related loan agreement with Oshchadbank was terminated.

EBRD

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

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

International Baltic Investments and Bytenem Co Limited

In May 2014, the Group signed a loan agreement with Bytenem Co Limited for a total amount of USD 13,051 thousand. The loan bears an annual interest rate of 12% and matures in March 2015. In July 2014, the Group signed an amended loan agreement with Bytenem Co Limited and the amount of the loan facility was increased up to USD 16,051 thousand. In March 2015, the Group signed an amended loan agreement with Bytenem Co Limited stipulating a prolongation of the maturity date until March 2016 (refer to note 30(a)).

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

Retail Real Estate OU

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

18 Finance lease liability

Finance lease liabilities as at 31 December are payable as follows:

(in thousands of USD)	**Future minimum lease payments 2014**	**Interest 2014**	**Present value of minimum lease payments 2014**	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 2013
Less than six months	**377**	**376**	**1**	629	600	29
Between six and twelve months	**377**	**376**	**1**	815	755	60
Between one and two years	**755**	**754**	**1**	1,146	1,143	3
Between two and five years	**3,492**	**3,483**	**9**	4,245	4,223	22
More than five years	**52,380**	**44,262**	**8,118**	68,916	57,693	11,223
	57,381	**49,251**	**8,130**	75,751	64,414	11,337

The imputed finance costs on the liability are based on the Group's incremental borrowing rate ranging from 13.0% to 17.2% as at 31 December 2014 and 2013.

During the year ended 31 December 2014, the Group has finalised the construction of the new shopping centre "Prospect" located in Kyiv, which led to an increase in future minimum lease payments due to modification of a lease pursuant to the increased value of the land leased by Comfort Market Luks LLC. Accordingly, the resulting change in finance lease liability amounting to USD 2,061 thousand was recognised as finance lease asset and presented within investment property.

Also, during the year ended 31 December 2014, as a result of change in land lease rate indices imposed by state authorities, the Group derecognised a finance lease liability amounting to USD 151 thousand (refer to note 25) in profit and loss for the year ended 31 December 2014 in respect of land plots in Kryvyi Rig, and recognised an additional finance lease asset for the amount of USD 1,273 thousand in respect of land plots in Kyiv, Zaporizhzhya and Odessa.

On 17 December 2013, the Odesa City Council approved principal terms of land lease agreements to be concluded with one of the Group's subsidiaries, LLC Vektor Capital (refer to note 5) and approved a land allocation project and detailed zoning plan, in accordance with which the Group plans to develop a shopping centre on the land plots concerned. As a result, the Group assumed that the inception and commencement dates of the lease occurred and recognised acquisition of the investment property through the finance lease for the amount of USD 5,144 thousand. In March 2014, these land lease agreements were formally signed.

Future minimum lease payments as at 31 December 2014 and 2013 are based on management's assessment that is based on actual lease payments effective as at 31 December 2014 and 2013, respectively, and expected contractual changes in the lease payments. 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 2038. 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.

19 Trade and other payables

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

(in thousands of USD)	**2014**	2013
Non-current liabilities		
Payables for construction works	**5,549**	-
Trade and other payables to third parties	**9**	
	5,558	-
Current liabilities		
Payables for construction works	**32,881**	10,959
Trade and other payables to related parties	**1,420**	225
Trade and other payables to third parties	**2,920**	2,561
	37,221	13,745

In view of the anticipated signing of a subordination deed with the EBRD (refer to note 30(a)), on 31 December 2014 the Group agreed postponement of the settlement of payables due to the company providing major construction services to the Group (refer to note 4). As a result, settlement of payables for construction works of USD 6,547 thousand has been prolonged until 20 December 2020. Consequently, these payables were initially recognised at fair value of USD 2,181 thousand, determined by discounting future expected cash flows at the effective interest rate of 18.02% per annum, with a resulting gain of USD 4,366 thousand (refer to note 25) recognised in profit or loss. As at 31 December 2014, these payables are presented within non-current liabilities.

Also, included in payables for construction works as at 31 December 2014 are payables under a commission agreement concluded with a third party for the total amount of USD 4,142 thousand with maturity on 15 September 2019. As at 31 December 2014, these payables relate to construction works performed at shopping centre “Prospect”, are presented in accordance with their contractual maturity and stated at amortised cost under the effective interest rate of 6.01% per annum.

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

20 Advances received

Advances from customers as at 31 December are as follows:

(in thousands of USD)	**2014**	2013
Non-current		
Advances from third parties	**1,158**	2,900
	1,158	2,900
Current		
Advances received under investment agreement (refer to note 12(a))	**2,917**	14,636
Advances from third parties	**3,192**	5,906
Advances from related parties	**44**	86
	6,153	20,628
	7,311	23,528

In September 2009, the Group received a prepayment from an anchor tenant for the period of ten years. As at 31 December 2014, the non-current portion of the prepayment amounts to USD 1,158 thousand and the current portion amounts to USD 312 thousand (2013: USD 2,900 thousand and USD 615 thousand, respectively). Remaining advances from third parties are mainly represented by prepayments from tenants for two months of rental payments.

21 Other liabilities

As at 31 December 2014, other liabilities are represented by deferred consideration of USD 20,412 thousand (2013: USD 20,151 thousand), including accrued interest of USD 412 thousand (2013: USD 151 thousand), that is payable in respect of the acquisition of Wayfield Limited and its subsidiary Budkhol LLC (refer to note 5), and other long-term liabilities amounting to USD 141 thousand (2013: USD 222 thousand). In May 2014, the Group signed an amendment to the share exchange agreement in order to postpone the repayment of USD 10,000 thousand from 30 April 2014 to 30 April 2015. In March 2015, the Group signed an amendment to the share exchange agreement in order to postpone the payment of USD 20,000 thousand from 30 April 2015 to 30 April 2016 (refer to note 30(a)). Deferred consideration is presented in accordance with its contractual maturity as at 31 December 2014 and 2013 and bears a 9.75% interest rate per annum.

22 Revenue

Revenue for the years ended 31 December is as follows:

(in thousands of USD)	**2014**	2013
Rental income from investment properties	**22,249**	24,937
Other sales revenue	**542**	362
	22,791	25,299

For the year ended 31 December 2014, 21% of the Group's rental income was earned from two tenants (13% and 8%, respectively) (2013: 21%, 11% and 10%, respectively).

In accordance with the terms of the contracts with tenants, rental rates are fixed in USD and invoices are issued in UAH using the exchange rates established by the National Bank of Ukraine effective at the date of invoice.

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

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

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

(in thousands of USD)	**2014**	2013
Advertising (note 24)	**799**	807
Security services (note 24)	**436**	427
Repair, maintenance and building services (note 23)	**377**	442
Communal public services (note 23)	**269**	398
Land taxes (note 24)	**94**	174
	1,975	2,248

No direct operating expenses arising from investment property that did not generate rental income during 2014 and 2013 occurred.

23 Goods, raw materials and services used

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

(in thousands of USD)	**2014**	2013
Repair, maintenance and building services (note 22)	**377**	442
Communal public services (note 22)	**269**	398
Other costs	**163**	143
	809	983

24 Operating expenses

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

(in thousands of USD)	**2014**	2013
Allowance for bad debts	**42,625**	541
Management, consulting and legal services	**3,639**	8,141
VAT refundable written-off	**1,096**	-
Advertising (note 22)	**799**	807
Security services (note 22)	**436**	427
Office expenses and communication services	**373**	584
Auditors' fees	**269**	255
Administrative expenses	**162**	116
Land taxes (note 22)	**94**	174
Other	**1,405**	1,682
	50,898	12,727

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

25 Finance income and finance costs

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

(in thousands of USD)	**2014**	2013
Gain on initial recognition of trade and other payables at fair value (refer to note 19)	**4,366**	-
Interest income	**1,451**	3,541
Finance income from derecognition of finance lease liability (refer to note 18)	**151**	-
Other finance income	**103**	290
Finance income	**6,071**	3,831
Interest expense	**(9,373)**	(8,091)
Interest expense on deferred consideration (refer to notes 5 and 21)	**(1,982)**	(593)
Foreign exchange loss	**(49,819)**	-
Impairment of available-for-sale financial asset	**(20,727)**	-
Other finance costs	**(4,218)**	(1,581)
Finance costs	**(86,119)**	(10,265)
Net finance cost	**(80,048)**	(6,434)

26 Income tax expense

(a) Income tax expense

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

(in thousands of USD)	**2014**	2013
Current tax expense	**153**	-
Deferred tax expense	**8,860**	904
Total income tax expense	**9,013**	904

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

While computing the deferred tax liability that arises on the temporary differences between carrying amounts and tax values of assets and liabilities of Voyazh-Krym LLC, registered in the Autonomous Republic of Crimea, as at 31 December 2014, management of the Group reflected the tax consequences that are applicable under the legislation of the Russian Federation that is being applied for all companies operating in the Republic of Crimea. In absence of clear regulations that will be applicable to the Republic of Crimea after 1 January 2015, management expects that reversal of temporary differences will be done under the Laws of the Russian Federation. The applicable tax rate for the entities operating under the laws of the Russian Federation is 20%.

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

(b) Reconciliation of effective tax rate

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

(in thousands of USD)	**2014**	**%**	2013	%
(Loss) profit before tax	**(69,583)**	**100%**	4,101	100%
Income tax (benefit) expense at statutory rate	**(12,525)**	**18%**	779	19%
Effect of different tax rates on taxable (loss) profit in other jurisdictions	**(1,731)**	**2%**	(1,558)	(38%)
Non-deductible expenses	**12,899**	**(18%)**	2,322	57%
Tax exempt income	**-**	**-**	(491)	(12%)
Change in unrecognised deferred tax assets	**6,268**	**(9%)**	168	4%
Changes in expected pattern of realisation of temporary difference	**-**	**-**	(316)	(8%)
Change in tax rates	**457**	**(1%)**	-	-
Foreign currency translation difference	**3,645**	**(5%)**	-	-
Effective income tax expense	**9,013**	**(13%)**	904	22%

(c) Recognised deferred tax assets and liabilities

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

	Assets		**Liabilities**		**Net**	
(in thousands of USD)	**2014**	2013	**2014**	2013	**2014**	2013
Investment property	**703**	568	**(15,249)**	(9,166)	**(14,546)**	(8,598)
Property and equipment	**-**	3	**(2)**	-	**(2)**	3
Trade and other receivables	**987**	1,737	**(13)**	-	**974**	1,737
Assets classified as held for sale	**-**	-	**(494)**	-	**(494)**	-
Trade and other payables	**1,497**	-	**(10)**	(9)	**1,487**	(9)
Advances received	**855**	581	**-**	-	**855**	581
Short-term borrowings	**9**	8	**(6)**	-	**3**	8
Long-term borrowings	**-**	-	**(14)**	(24)	**(14)**	(24)
Other long-term payables	**516**	12	**(24)**	-	**492**	12
Tax loss carry-forwards	**9,734**	2,367	**-**	-	**9,734**	2,367
Deferred tax assets (liabilities)	**14,301**	5,276	**(15,812)**	(9,199)	**(1,511)**	(3,923)
Offset of deferred tax assets and liabilities	**(14,301)**	(3,756)	**14,301**	3,756	**-**	-
Transfer to liabilities classified as held for sale	**-**	-	**40**	-	**40**	-
Net deferred tax assets (liabilities)	**-**	1,520	**(1,471)**	(5,443)	**(1,471)**	(3,923)

(d) Movements in recognised deferred tax assets and liabilities

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2014 are as follows:

(in thousands of USD)	**Balance as at 1 January 2014 asset (liability)**	**Recognised in profit or loss**	**Recognised in OCI**	**Transferred to Liabilities held for sale**	**Foreign currency translation adjustment**	**Balance as at 31 December 2014 asset (liability)**
Investment property	(8,598)	**(12,980)**	**-**	**324**	**6,708**	**(14,546)**
Property and equipment	3	**(5)**	**-**	**-**	**-**	**(2)**
Trade and other receivables	1,737	**124**	**-**	**-**	**(887)**	**974**
Assets classified as held for sale	-	**(657)**	**-**	**-**	**163**	**(494)**
Trade and other payables	(9)	**1,983**	**-**	**10**	**(497)**	**1,487**
Advances received	581	**745**	**-**	**-**	**(471)**	**855**
Short-term borrowings	8	**(1)**	**-**	**-**	**(4)**	**3**
Long-term borrowings	(24)	**(2)**	**-**	**-**	**12**	**(14)**
Other long-term payables	12	**646**	**-**	**-**	**(166)**	**492**
Tax loss carry-forwards	2,367	**1,287**	**9,854**	**(294)**	**(3,480)**	**9,734**
Deferred tax assets (liabilities)	(3,923)	**(8,860)**	**9,854**	**40**	**1,378**	**(1,511)**

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2013 are as follows:

(in thousands of USD)	Balance as at 1 January 2013 asset (liability)	Recognised in profit or loss	Foreign currency translation adjustment	Balance as at 31 December 2013 asset (liability)
Investment property	(7,354)	(1,244)	-	(8,598)
Property and equipment	(8)	11	-	3
Trade and other receivables	1,781	(44)	-	1,737
Trade and other payables	(4)	(5)	-	(9)
Advances received	797	(216)	-	581
Prepaid expenses	10	(10)	-	-
Short-term borrowings	12	(4)	-	8
Long-term borrowings	-	(24)	-	(24)
Other long-term payables	-	12	-	12
Tax loss carry-forwards	1,747	620	-	2,367
Deferred tax assets (liabilities)	(3,019)	(904)	-	(3,923)

(e) Unrecognised deferred tax assets

Deferred tax assets as at 31 December 2014 have not been recognised in respect of the following items:

(in thousands of USD)	**Balance as at 1 January 2014**	**Utilisation of previously unrecognised temporary differences**	**Increase in unrecognised temporary differences**	**Foreign currency translation adjustment**	**Balance as at 31 December 2014**
Trade and other receivables	**607**	**-**	**-**	**(332)**	**275**
Other long-term payables	**-**		**69**	**-**	**69**
Trade and other payables	**-**	**-**	**740**	**(9)**	**731**
Advances from customers	**265**	**-**	**-**	**(145)**	**120**
Tax loss carry-forwards	**3,844**	**(76)**	**22,049**	**(8,476)**	**17,341**
	4,716	**(76)**	**22,858**	**(8,962)**	**18,536**

Deferred tax assets as at 31 December 2013 have not been recognised in respect of the following items:

(in thousands of USD)	Balance as at 1 January 2013	Utilisation of previously unrecognised temporary differences	Increase in unrecognised temporary differences	Balance as at 31 December 2013
Trade and other receivables	607	-	-	607
Advances from customers	265	-	-	265
Tax loss carry-forwards	3,676	(196)	364	3,844
	4,548	(196)	364	4,716

In accordance with existing Ukrainian legislation tax losses can be carried forward and utilised indefinitely. Deferred tax assets have not been recognised in respect of those items since it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. During the year ended 31 December 2014, unrecognised temporary differences of USD 18,294 thousand relate to items recognised in other comprehensive income.

27 Financial risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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

(b) Risk management framework

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

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

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

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

(c) Credit risk

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

(i) 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 2014 and 2013, 100% of the Group's revenue is attributable to sales transactions with customers in Ukraine and the Republic of Crimea.

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 to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

As at 31 December 2013, the Parent Company issued an irrevocable guarantee to UBS AG securing the repayment of the loan by a related party for the amount of USD 28,800 thousand and the interest accrued thereon and all losses incurred therewith. No provision for the related party's obligation under this guarantee was recognised in these consolidated financial statements since management believed that as at 31 December 2013 it was not probable that there will be an outflow of economic resources in relation to this guarantee. As at 31 December 2014, the Parent Company's obligations under this guarantee were extinguished (refer to note 15).

(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 recoverable and prepaid expenses amounting in total to USD 9,424 thousand as at 31 December 2014 (2013: USD 16,716 thousand).

(iv) Impairment losses

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

(in thousands of USD)	**2014 Gross**	**2014 Impairment**	2013 Gross	2013 Impairment
Not past due	**876**	**-**	1,561	-
Past due 0 - 30 days	**50**	**-**	2,739	-
Past due 31 - 60 days	**24**	**-**	17	-
Past due 61 - 90 days	**4**	**-**	7	-
Past due 91 - 360 days	**7**	**(7)**	288	(288)
More than one year	**14,906**	**(14,529)**	17,282	(17,282)
	15,867	**(14,536)**	21,894	(17,570)

Allowance for impairment of financial assets is as follows:

(in thousands of USD)	**31 December 2014**	31 December 2013
Allowance for impairment of trade and other receivables	**14,536**	17,570
Allowance for impairment of loans receivable	**40,097**	-
Allowance for impairment of available-for-sale financial assets	**20,727**	-
	75,360	17,570

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

(in thousands of USD)	**2014**	2013
Balance at 1 January	**(17,570)**	(16,740)
Impairment loss recognised	**(63,352)**	(541)
Impairment losses related to acquisition of assets	**-**	(289)
Foreign currency translation differences	**5,562**	-
Balance at 31 December	**(75,360)**	(17,570)

(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 31 December 2014:

		Contractual cash flows					
(in thousands of USD)	**Carrying amount**	**Total**	**2 months or less**	**2 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Secured bank loans	**60,881**	**80,959**	**1,681**	**14,542**	**15,067**	**30,509**	**19,160**
Unsecured loans from related parties	**35,864**	**37,279**	**15,282**	**18,218**	**280**	**3,499**	**-**
Unsecured loans from third parties	**211**	**211**	**38**	**173**	**-**	**-**	**-**
Finance lease liability	**8,130**	**57,381**	**230**	**524**	**755**	**3,492**	**52,380**
Trade and other payables	**42,779**	**47,775**	**4,340**	**33,117**	**1,968**	**1,803**	**6,547**
Other liabilities	**20,553**	**21,194**	**-**	**21,053**	**141**	**-**	**-**
	168,418	**244,799**	**21,571**	**87,627**	**18,211**	**39,303**	**78,087**

The following are the contractual maturities of financial liabilities, including interest payments as at 31 December 2013:

		Contractual cash flows					
(in thousands of USD)	Carrying amount	Total	2 months or less	2 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans	72,668	94,082	1,051	15,307	19,232	43,282	15,210
Unsecured loans from related parties	30,121	30,121	29,620	501	-	-	-
Unsecured loans from third parties	225	225	225	-	-	-	-
Finance lease liability	11,337	75,751	148	1,296	1,146	4,245	68,916
Trade and other payables	13,745	13,745	204	13,541	-	-	-
Other liabilities	20,373	21,939	-	11,346	10,593	-	-
	148,469	235,863	31,248	41,991	30,971	47,527	84,126

(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

Group entities located in Ukraine

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

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

Exposure to currency risk

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

	2014			2013		
(in thousands of USD)	**USD**	**EUR**	**GBP**	USD	EUR	GBP
Cash and cash equivalents	**12**	**4**	**-**	168	1	-
Restricted deposits	**580**	**-**	**-**	575	-	-
Secured bank loans	**(60,881)**	**-**	**-**	(72,668)	-	-
Trade and other payables	**(352)**	**(7,914)**	**(153)**	(1,631)	(741)	(302)
Net short position	**(60,641)**	**(7,910)**	**(153)**	(73,556)	(740)	(302)

Sensitivity analysis

A 40 percent weakening of the Ukrainian Hryvnia against the following currencies as at 31 December would have decreased net profit (increased net loss) and decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2014		2013	
(in thousands of USD)	**Profit or loss**	**Equity**	Profit or loss	Equity
USD	**(19,890)**	**(19,890)**	(23,832)	(23,832)
EUR	**(2,594)**	**(2,594)**	(240)	(240)
GBP	**(50)**	**(50)**	(98)	(98)

A 40 percent strengthening of the Ukrainian Hryvnia against these currencies at 31 December would have had the equal but opposite effect on these currencies to the amounts shown above, on the basis that all other variables remain constant.

Intra-group borrowings

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

The effect of translation of these loans payable by Ukrainian subsidiaries from functional currency to presentation currency resulted in a foreign exchange loss of USD 146,523 thousand, including tax effect, recognised directly in other comprehensive income for the year ended 31 December 2014.

A 40 percent weakening of the Ukrainian Hryvnia against the USD would have decreased other comprehensive income (increased other comprehensive loss) for the year ended 31 December 2014 and equity as at 31 December 2014 by USD 78,801 thousand (2013: USD 71,642 thousand). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 40 percent strengthening of the Ukrainian Hryvnia against these currencies would have had the equal but opposite effect to the amounts mentioned above, on the basis that all other variables remain constant.

Group entities located in the Republic of Crimea

The Group entity, located in the Republic of Crimea, is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the Russian Rouble (RUB), primarily the Ukrainian Hryvnia (UAH).

Exposure to currency risk

The exposure to foreign currency risk is as follows based on notional amounts:

	31 December 2014	31 December 2013
	UAH	UAH
(in thousands of USD)		
Trade and other payables	**(5,797)**	-
Net short position	**(5,797)**	-

Sensitivity analysis

A 30 percent strengthening of the Russian Rouble against the Ukrainian Hryvnias would have decreased net loss and increased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2014		2013	
(in thousands of USD)	**Profit or loss**	**Equity**	Profit or loss	Equity
UAH	**1,391**	**1,391**	-	-

A 30 percent weakening of the Russian Rouble against the Ukrainian Hryvnia 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 favorable to the Group over the expected period until maturity.

Refer to notes 9, 17, 18 and 21 for information about maturity dates and effective interest rates of fixed rate and variable rate financial instruments. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments.

Profile

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

(in thousands of USD)	**2014**	2013
Fixed rate instruments		
Loans receivable	**9,761**	48,071
Loans and borrowings	**(80,601)**	(79,072)
Other liabilities	**(20,412)**	(20,151)
Finance lease liability	**(8,130)**	(11,337)
	(99,382)	(62,489)
Variable rate instruments		
Loans and borrowings	**(16,355)**	(23,441)
	(16,355)	(23,441)

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, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. 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 as at 31 December and would have decreased net profit (increased net loss) 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.

	2014		2013	
(in thousands of USD)	**Profit or loss**	**Equity**	Profit or loss	Equity
Loans and borrowings	**(134)**	**(134)**	(190)	(190)
	(134)	**(134)**	(190)	(190)

A decrease of 100 basis points in interest rates at 31 December would have had the equal but opposite effect to the amounts shown above.

(iii) Fair values

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

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

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

Management believes that for all the financial assets and liabilities the carrying value is estimated to approximate the fair value as at 31 December 2014 and 2013, except for the available-for-sale financial assets, fair value of which cannot be measured reliably. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date. The estimated fair value is categorised within Level 2 of the fair value hierarchy.

(f) Capital management

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

28 Commitments and contingencies

(a) Pledged assets

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

(in thousands of USD)	**2014**	2013
Investment property (note 7)	**143,878**	193,111
Restricted deposits (note 14)	**2,282**	1,483
	146,160	194,594

As at 31 December 2014 and 2013, the Group has also pledged the following:

- Future rights on income of Prizma Alfa LLC under all lease agreements;
- Investments in the following subsidiaries: PrJSC Grandinvest, PrJSC UkrPanGroup and PrJSC Livoberezhzhiainvest;
- Property rights under the Investment Agreement between PrJSC Grandinvest, PrJSC Livoberezhzhiainvest and LLC "Voyazh Krym".

(b) Construction commitments

The Group entered into contracts with third parties to construct a shopping centre in Kyiv and a shopping centre in Odesa for the amount of USD 36,503 thousand as at 31 December 2014 (2013: USD 25,751 thousand under the contract to construct two shopping centres in Kyiv).

(c) Operating leases commitments

The Group as lessor

The Group entered into lease agreements on its investment property portfolio that consists of five shopping centres. These non-cancellable lease agreements 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 as at 31 December are as follows:

(in thousands of USD)	**2014**	2013
Less than one year	**5,228**	1,491
Between one and five years	**4,415**	1,470
More than five years	**1,392**	-
	11,035	2,961

(d) Litigation

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

(i) Legal case in respect of Assofit Holdings Limited

As at 31 December 2014 and 2013, the Group is involved in an arbitration dispute with Stockman Interhold S.A. (Stockman), being the majority shareholder of Assofit Holdings Limited (Assofit), regarding invalidation of the Call Option Agreement. In accordance with this Call Option Agreement, Arricano was granted the option to acquire the shareholding of Stockman being equal to 50.03 per cent in the share capital of Assofit during the period starting from 15 November 2010 up to 15 March 2011. In November 2010, the Company sought to exercise the option granted by the Call Option Agreement, however the buy-out was suspended by legal and arbitration proceedings that were initiated by Stockman in relation to the validity of the termination of the agreement relating to the call option under the Call Option Agreement. The case was considered by The London Court of International Arbitration (LCIA).

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

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

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

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

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

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

In September 2014, Assofit Holdings Limited transferred the shares of Prizma Beta LLC to Financial and Investment Solutions BV, a company registered in the Netherlands, despite the fact that an Interim Receiver was appointed in Assofit at that period of time with the responsibility of collecting and safeguarding Assofit's assets. Further in September 2014, Joint-Stock Bank Pivdeniy PJSC, Ukraine, which had an outstanding mortgage loan due from Prizma Beta LLC of USD 32,000 thousand, exercised its right to recover the abovementioned loan by means of reposession of ownership rights to the Skymall shopping centre which was pledged to secure this loan in September 2014. Management of the Group believes that these transfers are illegal and requests that the Group will transfer to Stockman the call option deposit placed as at 31 December 2014 only after these transfers are nullified. As at the date that these consolidated financial statements are authorised for issuance, shares of Prizma Beta LLC and ownership rights for the Skymall shopping centre remain to be alienated.

(ii) Legal case in respect of PrJSC Livoberezhzhiainvest

On 5 March 2014, PrJSC Dniprovska Prystan, acting through the asset manager (a bankruptcy receiver) as appointed by the court within its bankruptcy proceedings, filed a claim against PrJSC Livoberezhzhiainvest to nullify the ownership rights to the shopping centre "RayON" and to return the shopping centre to PrJSC Dniprovska Prystan. On 13 August 2014, the Commercial Court of the city of Kyiv ruled a decision in favor of the PrJSC Livoberezhzhiainvest and confirmed PrJSC Livoberezhzhiainvest's ownership rights to the shopping centre. On 27 August 2014, this decision came into force. The decision was not appealed by PrJSC Dniprovska Prystan and on 13 October 2014 the limitation period set for submission of the appeal claim expired.

(iii) Legal case in respect of Mezokred Holding LLC

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

On 6 August 2014, the public prosecutor filed a new claim against Mezokred Holding LLC to recognise the lease agreement for a land plot in Obolon District of Kyiv as invalid. On 12 September 2014 the first instance court ruled to suspend the hearings on this case until passing of the ruling of the court in respect of the claim issued on 17 April 2014. On 26 November 2014, the Supreme Administrative Court of Ukraine cancelled the judgments of lower courts in respect of the claim, issued on 17 April 2014, and returned the case for new consideration to the first instance court. The respective hearing of the first instance court is scheduled on 23 June 2015. Management believes that the Group will be successful in defending its title to the lease agreement for the land plot concerned further in court, if this is required. Should this not be the case, the Group may ultimately lose its lease rights for the land plot concerned and title to the related investment property. As at 31 December 2014, the fair value of the land plot and property under construction at Mezokred Holding LLC is USD 5,996 thousand and USD 654 thousand, respectively (refer to note 12).

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

(e) Taxation contingencies

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

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

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

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

29 Related party transactions

(a) Control relationships

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

(b) Transactions with management and close family members

Key management remuneration

Key management compensation included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 is represented by salary and bonuses of USD 524 thousand (2013: USD 675 thousand).

(c) Transactions and balances with entities under common control

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

(in thousands of USD)	**2014**	2013 (re-presented)
Long-term loans receivable	**39,761**	-
Short-term loans receivable	**401**	39,458
Trade receivables	**5,394**	10,761
Other receivables	**9,391**	9,654
Provision for impairment of trade and other receivables and loans receivable from related parties	**(54,506)**	(17,282)
	441	42,591
Other long-term liabilities	**-**	10,000
Long-term loans and borrowings	**2,661**	-
Short-term loans and borrowings	**33,184**	30,121
Trade and other payables	**1,420**	225
Advances received	**44**	86
Other liabilities	**20,412**	10,151
	57,721	50,583

None of the balances are secured. The terms and conditions of significant transactions and balances with entities under common control are described in notes 9, 11, 17 and 21.

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

(in thousands of USD)	**2014**	2013
Interest expense	**(5,169)**	(1,960)
Other finance costs	**(2,314)**	-
Interest income	**1,182**	3,112
Operating expenses	**(43,161)**	(547)

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

(d) Guarantees issued by related parties

The Group's related parties issued guarantees securing loans payable by Ukrainian subsidiaries of Arricano Real Estate PLC to the EBRD (loans payable by Grandinvest PrJSC, UkrPanGroup PrJSC), OJSC "Bank "St.Petersburg" (loans payable by Livoberezhzhiainvest PrJSC) and Oshchadbank (loan payable by Comfort Market Luks LLC). The guarantees cover the total amount of outstanding liabilities in relation to EBRD loans as at 31 December 2014 of USD 16,355 thousand (2013: USD 23,441 thousand), in relation to OJSC "Bank "St.Petersburg" as at 31 December 2014 of USD 21,804 thousand (2013: USD 24,849 thousand) and in relation to Oshchadbank as at 31 December 2014 of USD 10,098 thousand (2013: USD 10,091 thousand).

30 Events subsequent to the reporting date

(a) Changes in terms of loans and borrowings

As part of the process of obtaining funds under the new loan agreement with the EBRD signed in December 2014 (refer to note 17) the Group undertook the following actions in February 2015:

- signed the subordination and share retention deed with the EBRD, according to which the outstanding liabilities of Comfort Market Luks LLC are deemed to be subordinated to the outstanding loan payable to the EBRD,

- pledged its investments in Comfort Market Luks LLC and future rights on income of this subsidiary under all lease agreements to the EBRD.

In March 2015, the Group settled the loan payable to Oshchadbank of USD 10,000 thousand and interest accrued thereon using the funds received from the EBRD. The respective loan agreement and pledge agreements with Oshchadbank were terminated. In April 2015, the Group obtained a second tranche of USD 9,000 thousand.

In March 2015, the Group signed an amendment to the share exchange agreement in order to postpone the settlement of the deferred consideration payable of USD 20,000 thousand from 30 April 2015 to 30 April 2016 (refer to notes 2(e), 5, 21).

In March 2015, the Group signed an amendment to the loan agreement with Bytenem Co Limited in order to postpone the settlement of the outstanding balance of USD 17,471 thousand from 14 March 2015 to 14 March 2016 (refer to notes 2(e), 17).

In June 2015, the Group signed an amendment to the loan agreement with OJSC "Bank "St.Petersburg" stipulating a decrease in the amount of loan principal payable in 2015 by USD 2,397 thousand, a decrease in the amount of the deposit pledged as a collateral from USD 1,385 thousand to USD 1,200 thousand

and an obligation to the Group to replace the existing pledge of investment property with a carrying amount of USD 40,700 thousand as at 31 December 2014 for other investment properties acceptable to OJSC "Bank "St.Petersburg" until 31 December 2015.

(b) Changes in the Group's structure

On 28 April 2015 the Group approved to liquidate Crimsonville Investments Limited. As at the date of these consolidated financial statements, this subsidiary is not yet liquidated.

(c) Devaluation of the Ukrainian Hryvnia

Subsequent to the reporting date, the UAH has further devaluated by more than 40% to the USD as compared to 31 December 2014 (refer to note 2(c)).

The potential effect on the consolidated financial statements is disclosed in Note 27(e)*(i)*.

KPMG

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ARRICANO REAL ESTATE PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Arricano Real Estate Plc (the ''Company'') and its subsidiaries (together with the Company, referred to as "the Group") on pages 4 to 69 which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal controls as the Board of Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

/...

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Arricano Real Estate Plc as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

1. To notes 12 and 28 (d)(iii) to the consolidated financial statements, which describe that, as at 31 December 2014, the Group was involved as a defendant in a lawsuit in respect of nullifying lease rights of the subsidiary for the land plot with a carrying amount of USD 5,996 thousand and nullifying the state authority's permits for the construction on the land. The ultimate outcome of the matter cannot be currently determined.

2. To note 1(b) to the consolidated financial statements, which describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 in Ukraine. The events referred to in note 1(b) have adversely affected the Group and could continue to adversely affect the Group's results and financial position in a manner not currently determinable.

3. To note 3(b)(i), which describes the resulting significant uncertainties on the foreign currency exchange market in Ukraine. These uncertainties may have significant impact on the Group's results and financial position to the extent not currently determinable.

4. To note 6 to the consolidated financial statements, which indicates and gives reasons for the amendment of the consolidated financial statements as at and for the year ended 31 December 2014, previously approved by the Board on 28 April 2015.

Our opinion is not qualified in respect of these matters.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of the books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the consolidated financial statements.

/...

Other matter

This report, including the opinion expressed herein, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving the aforementioned opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come.

Michalis A. Loizides, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
11, June 16th 1943 Street
3022 Limassol
Cyprus

23 June 2015