

**Arricano Real Estate PLC**

Consolidated interim  
condensed financial statements  
30 June 2021

*These consolidated financial statements contain 23 pages*

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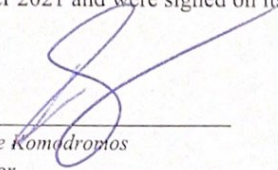
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**Arricano Real Estate PLC**  
*Consolidated interim condensed financial statements as at and for the six months ended 30 June 2021*  
*Consolidated condensed statement of financial position as at 30 June 2021*

|                                    | <i>Note</i> | <b>30 June 2021</b><br><b>(unaudited)</b> | 31 December<br>2020 |
|------------------------------------|-------------|---|---------------------|
| <i>(in thousands of USD)</i>       |             |   |                     |
| <b>Assets</b>                      |             |   |                     |
| <b>Non-current assets</b>          |             |   |                     |
| Investment property                | 4           | <b>281,581</b>                            | 275,452             |
| Long-term VAT receivable           |             | <b>4,297</b>                              | 4,130               |
| Property and equipment             |             | <b>113</b>                                | 94                  |
| Intangible assets                  |             | <b>118</b>                                | 126                 |
|                                    |             | <hr/>                                     | <hr/>               |
| <b>Total non-current assets</b>    |             | <b>286,109</b>                            | 279,802             |
|                                    |             | <hr/>                                     | <hr/>               |
| <b>Current assets</b>              |             |   |                     |
| Trade and other receivables        |             | <b>1,270</b>                              | 1,673               |
| Prepayments made and other assets  |             | <b>594</b>                                | 479                 |
| VAT receivable                     |             | <b>308</b>                                | 576                 |
| Assets classified as held for sale |             | <b>1,591</b>                              | 1,529               |
| Income tax receivable              |             | <b>391</b>                                | 380                 |
| Cash and cash equivalents          |             | <b>14,988</b>                             | 12,062              |
|                                    |             | <hr/>                                     | <hr/>               |
| <b>Total current assets</b>        |             | <b>19,142</b>                             | 16,699              |
|                                    |             | <hr/>                                     | <hr/>               |
| <b>Total assets</b>                |             | <b>305,251</b>                            | 296,501             |
|                                    |             | <hr/> <hr/>                               | <hr/> <hr/>         |

|  | Note | 30 June 2021<br>(unaudited) | 31 December<br>2020 |
|--|------|-----------------------------|---------------------|
| <i>(in thousands of USD)</i>             |      |                             |                     |
| <b>Equity and Liabilities</b>            |      |                             |                     |
| <b>Equity</b>                            |      |                             |                     |
| Share capital                            |      | 67                          | 67                  |
| Share premium                            |      | 183,727                     | 183,727             |
| Non-reciprocal shareholders contribution |      | 59,713                      | 59,713              |
| Retained earnings                        |      | 66,756                      | 67,142              |
| Other reserves                           |      | (61,983)                    | (61,983)            |
| Foreign currency translation differences |      | (123,046)                   | (129,272)           |
| <b>Total equity</b>                      |      | <b>125,234</b>              | <b>119,394</b>      |
| <b>Non-current liabilities</b>           |      |                             |                     |
| Long-term borrowings                     | 5    | 70,266                      | 73,458              |
| Long-term trade and other payables       | 6    | 15,935                      | 15,330              |
| Long-term advances received              |      | 281                         | -                   |
| Other long-term liabilities              | 7    | 31,469                      | 31,462              |
| Deferred tax liability                   |      | 6,243                       | 5,796               |
| <b>Total non-current liabilities</b>     |      | <b>124,194</b>              | <b>126,046</b>      |
| <b>Current liabilities</b>               |      |                             |                     |
| Short-term loans and borrowings          | 5    | 35,317                      | 32,360              |
| Short-term trade and other payables      | 6    | 4,001                       | 3,712               |
| Taxes payable other than income tax      |      | 4,246                       | 5,015               |
| Short-term advances received             |      | 6,158                       | 5,503               |
| Other short-term liabilities             | 7    | 6,101                       | 4,471               |
| <b>Total current liabilities</b>         |      | <b>55,823</b>               | <b>51,061</b>       |
| <b>Total liabilities</b>                 |      | <b>180,017</b>              | <b>177,107</b>      |
| <b>Total equity and liabilities</b>      |      | <b>305,251</b>              | <b>296,501</b>      |

These consolidated interim condensed financial statements were approved by the Board of Directors on 22 September 2021 and were signed on its behalf by:

  
 \_\_\_\_\_  
 George Komodoros  
 Director

  
 \_\_\_\_\_  
 Juri Pold  
 Director

|  | Note | Six months ended<br>30 June 2021<br>(unaudited) | Six months ended<br>30 June 2020<br>(unaudited) |
|--|------|---|---|
| <i>(in thousands of USD, except for earnings per share)</i>  |      |   |   |
| Revenue  | 8    | 16,906  | 14,237  |
| (Loss) / Gain on revaluation of investment property  |      | (9,027)   | 30,096  |
| Goods, raw materials and services used   |      | (483)   | (378)   |
| Operating expenses   |      | (3,463)   | (3,122)   |
| Employee costs   |      | (1,019)   | (1,031)   |
| Depreciation and amortization  |      | (57)  | (66)  |
| <b>Profit from operating activities</b>  |      | <b>2,857</b>                                    | 39,736  |
| Finance income   | 9    | 2,381   | 103   |
| Finance costs  | 10   | (6,362)   | (12,702)  |
| <b>(Loss) / Profit before income tax</b>   |      | <b>(1,124)</b>                                  | 27,137  |
| Income tax gain / (expense)  | 11   | 738   | (5,054)   |
| <b>(Loss) / Profit for the period</b>  |      | <b>(386)</b>                                    | 22,083  |
| <b>Other comprehensive income</b>  |      |   |   |
| <i>Items that may be reclassified to profit or loss:</i>   |      |   |   |
| Foreign exchange (losses)/gains on monetary items that form part of net investment in the foreign operation, net of tax effect |      | 11,322  | (33,427)  |
| Foreign currency translation differences   |      | (5,096)   | 14,397  |
| <i>Total items that may be reclassified to profit or loss</i>  |      | <b>6,226</b>                                    | (19,030)  |
| <b>Other comprehensive income</b>  |      | <b>6,226</b>                                    | (19,030)  |
| <b>Total comprehensive income for the period</b>   |      | <b>5,840</b>                                    | 3,053   |
| Weighted average number of shares (in shares)  |      | 103,270,637                                     | 103,270,637                                     |
| Basic and diluted earnings per share, USD  |      | <b>(0.0037)</b>                                 | 0.21  |

**Arricano Real Estate PLC**  
*Consolidated interim condensed financial statements as at and for the six months ended 30 June 2021*  
*Consolidated condensed statement of cash flows for the six months ended 30 June 2021*

|   | <i>Note</i> | <b>Six months ended<br/>30 June 2021<br/>(unaudited)</b> | Six months ended<br>30 June 2020<br>(unaudited) |
|---|-------------|--|---|
| <i>(in thousands of USD)</i>  |             |  |   |
| <b><i>Cash flows from operating activities</i></b>  |             |  |   |
| Profit before income tax  |             | <b>(1,124)</b>   | 27,137  |
| <i>Adjustments for:</i>   |             |  |   |
| Interest income, excluding foreign exchange gain  | <i>9</i>    | <b>(338)</b>   | (103)   |
| Interest expenses, excluding foreign exchange loss  | <i>10</i>   | <b>6,362</b>   | 5,574   |
| Loss/ (gain) on revaluation of investment property  | <i>4(a)</i> | <b>9,027</b>   | (30,096)  |
| Depreciation and amortization   |             | <b>57</b>  | 66  |
| Unrealised foreign exchange (gain)/loss   |             | <b>(1,982)</b>   | 7,115   |
| Allowance for bad debts   |             | <b>133</b>   | 22  |
|   |             | <hr/>  | <hr/>   |
| <b>Operating cash flows before changes in working capital</b>   |             | <b>12,135</b>  | 9,715   |
|   |             | <hr/>  | <hr/>   |
| Change in trade and other receivables and prepayments made and other assets   |             | <b>342</b>   | (807)   |
| Change in VAT receivable  |             | <b>221</b>   | (995)   |
| Change in trade and other payables  |             | <b>285</b>   | (95)  |
| Change in advances received   |             | <b>825</b>   | (238)   |
| Change in other liabilities   |             | <b>-</b>   | 1,256   |
| Change in taxes payable   |             | <b>(835)</b>   | 549   |
| Income tax paid   |             | <b>(605)</b>   | (679)   |
| Interest paid   |             | <b>(2,401)</b>   | (2,166)   |
|   |             | <hr/>  | <hr/>   |
| <b>Cash flows from operating activities</b>   |             | <b>9,967</b>   | 6,540   |
|   |             | <hr/>  | <hr/>   |
| <b><i>Cash flows from investing activities</i></b>  |             |  |   |
| Acquisition of investment property, excluding capitalized borrowing costs and settlements of payables due to constructors |             | <b>(4,059)</b>   | (10,423)  |
| Acquisition of property and equipment and intangible assets   |             | <b>(68)</b>  | (22)  |
| Interest received   |             | <b>96</b>  | 103   |
|   |             | <hr/>  | <hr/>   |
| <b>Cash flows used in investing activities</b>  |             | <b>(4,031)</b>   | (10,342)  |
|   |             | <hr/>  | <hr/>   |

**Arricano Real Estate PLC**  
*Consolidated interim condensed financial statements as at and for the six months ended 30 June 2021*  
*Consolidated condensed statement of cash flows for the six months ended 30 June 2021 (continued)*

|  | <i>Note</i> | <b>Six months ended</b> | Six months ended |
|--|-------------|-------------------------|------------------|
|  |             | <b>30 June 2021</b>     | 30 June 2020     |
|  |             | <b>(unaudited)</b>      | (unaudited)      |
| <i>(in thousands of USD)</i>                                       |             |                         |                  |
| <b><i>Cash flows from financing activities</i></b>                 |             |                         |                  |
| Proceeds from borrowings   |             | 3,192                   | 8,000            |
| Repayment of borrowings  |             | (6,398)                 | (5,991)          |
|  |             | (3,206)                 | 2,009            |
| <b>Cash flows from/ (used in) financing activities</b>             |             | <b>(3,206)</b>          | <b>2,009</b>     |
| <b>Net increase in cash and cash equivalents</b>                   |             |                         |                  |
| Cash and cash equivalents at 1 January                             |             | 12,062                  | 6,905            |
| Effect of movements in exchange rates on cash and cash equivalents |             | 196                     | (217)            |
|  |             | 14,988                  | 4,895            |
| <b>Cash and cash equivalents at 30 June</b>                        |             | <b>14,988</b>           | <b>4,895</b>     |

|   | <b>Attributable to equity holders of the parent</b> |                      |   |                          |                       |   |                |
|---|---|----------------------|---|--------------------------|-----------------------|---|----------------|
|   | <b>Share capital</b>                                | <b>Share premium</b> | <b>Non-reciprocal shareholders contribution</b> | <b>Retained earnings</b> | <b>Other reserves</b> | <b>Foreign currency translation differences</b> | <b>Total</b>   |
| <i>(in thousands of USD)</i>  |   |                      |   |                          |                       |   |                |
| <b>Balances at 1 January 2020</b>   | <b>67</b>   | <b>183,727</b>       | <b>59,713</b>                                   | <b>46,962</b>            | <b>(61,983)</b>       | <b>(100,581)</b>                                | <b>127,905</b> |
| Total comprehensive income for the period   |   |                      |   |                          |                       |   |                |
| Profit for the period (unaudited)   |   |                      |   | 22,083                   |                       |   | 22,083         |
| Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited) |   |                      |   |                          |                       | (33,427)  | (33,427)       |
| Foreign currency translation differences (unaudited)  |   |                      |   |                          |                       | 14,397  | 14,397         |
| Total other comprehensive income  |   |                      |   |                          |                       | (19,030)  | (19,030)       |
| Total comprehensive income for the period   |   |                      |   | 22,083                   |                       | (19,030)  | 3,053          |
| <b>Balances at 30 June 2020 (unaudited)</b>   | <b>67</b>   | <b>183,727</b>       | <b>59,713</b>                                   | <b>69,045</b>            | <b>(61,983)</b>       | <b>(119,611)</b>                                | <b>130,958</b> |



**Arricano Real Estate PLC**  
*Consolidated interim condensed financial statements as at and for the six months ended 30 June 2021*  
*Consolidated condensed statement of changes in equity for the six months ended 30 June 2021*

|  | Attributable to equity holders of the parent |                |  |                   |                 |  | Total          |
|--|--|----------------|--|-------------------|-----------------|--|----------------|
|  | Share capital                                | Share premium  | Non-reciprocal shareholders contribution | Retained earnings | Other reserves  | Foreign currency translation differences |                |
| <i>(in thousands of USD)</i>   |  |                |  |                   |                 |  |                |
| <b>Balances at 1 January 2021</b>  | <b>67</b>                                    | <b>183,727</b> | <b>59,713</b>                            | <b>67,142</b>     | <b>(61,983)</b> | <b>(129,272)</b>                         | <b>119,394</b> |
| <b>Total comprehensive income for the period</b>   |  |                |  |                   |                 |  |                |
| <b>Profit for the period (unaudited)</b>   |  |                |  | <b>(386)</b>      |                 |  | <b>(386)</b>   |
| <b>Foreign exchange gains on monetary items that form part of net investment in the foreign operation, net of tax effect (unaudited)</b> |  |                |  |                   |                 | <b>11,322</b>                            | <b>11,322</b>  |
| <b>Foreign currency translation differences (unaudited)</b>  |  |                |  |                   |                 | <b>(5,096)</b>                           | <b>(5,096)</b> |
| <b>Total other comprehensive income</b>  |  |                |  |                   |                 | <b>6,226</b>                             | <b>6,226</b>   |
| <b>Total comprehensive income for the period</b>   |  |                |  | <b>(386)</b>      |                 | <b>6,226</b>                             | <b>5,840</b>   |
| <b>Balances at 30 June 2021 (unaudited)</b>  | <b>67</b>                                    | <b>183,727</b> | <b>59,713</b>                            | <b>66,756</b>     | <b>(61,983)</b> | <b>(123,046)</b>                         | <b>125,234</b> |

## **1 Background**

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

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

The main activities of the Group are investing in the development of new properties in Ukraine and leasing them out. As at 30 June 2021, the Group operates shopping centres in Kyiv, Simferopol, Zaporizhzhya and Kryvyi Rig with a total leasable area of over 148,100 square meters and is in the process of development of two new investment projects in Kyiv and Odesa, with one more project to be developed.

### **(b) Business environment**

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

Despite this, the world's economy was significantly affected by COVID-19 pandemic. After the economic crisis held in 2020, in the first half-year 2021 there was a strengthening of the Ukrainian, Russian Federation and Cyprus operating environments. The local authorities are introducing some operating restrictions from time to time, however, these restrictions allow the businesses to operate at least at the minimum level.

During 6 months period ended 30 June 2021, the Ukrainian hryvnia and the Russian Ruble have strengthened against US dollar, a positive indicator of the economic situation in the areas of operations of the Group's shopping centres.

The management of the company is already seeing consumer confidence returning, evidenced by the gradual increase in visitor numbers across Company's portfolio. As before, the strategy remains centred around improving customer experiences. Management seeks innovative ways to influence and stimulate consumers, encouraging them to visit the shopping centres and once inside focus on creating the right balance between retail, leisure and socialising.

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

## **2 Basis of preparation**

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

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU) and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ("last annual financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2020. These consolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results expected for the full year.

### **(b) Judgements and estimates**

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

In preparing these consolidated interim condensed financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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

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

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

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

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

UAH and RUB are not freely convertible currencies outside Ukraine and the Russian Federation, and, accordingly, any conversion of UAH and RUB amounts into USD should not be construed as a

representation that UAH and RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

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

| Currency | 30 June 2021 | 31 December 2020 |
|----------|--------------|------------------|
| UAH      | 27.18        | 28.27            |
| RUB      | 72.37        | 73.88            |

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

| Currency | 2021  | 2020  |
|----------|-------|-------|
| UAH      | 27.78 | 25.98 |
| RUB      | 74.33 | 69.34 |

As at the date that these consolidated interim condensed financial statements are authorised for issue, 22 September 2021, the exchange rate is UAH 26.71 to USD 1.00 and RUB 73.21 to USD 1.00.

#### **(d) Going concern**

As at 30 June 2021, the Group's current liabilities exceeded its current assets by USD 36,681 thousand (unaudited).

At the same time, the Group had positive equity of USD 125,234 thousand (unaudited) as at 30 June 2021, and generated positive cash flows from operating activities of USD 9,967 thousand (unaudited) for the six months then ended.

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

- Management makes all efforts to keep occupancy rates of its shopping centers at current levels. Besides, the Group managed to gradually increase its rental rates during the reporting period for existing tenants.
- The Group expects it will be able to draw on existing facilities granted from entities under common control, should this be required for operational and other needs of the Group.
- In accordance with the forecast for 2021 that is being revised on ongoing basis, taking into account already existing and potential future impact of COVID-19 on the Group's financial performance, the Group plans to earn revenue that together with other measures undertaken by the Group's management, including negotiations with lenders, will give an ability to settle the Group's current liabilities in the normal course of business.
- In addition, management expects that certain lenders will not exercise their right to require settlement of accrued interest for total amount of USD 8,126 thousand, and thus according to the respective agreements, after 1 August 2021 this accrued interest will be capitalised and reclassified to non-current liabilities in accordance with contractual terms (see Note 15).

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

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

### **(e) Measurement of fair values**

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

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

*Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

- Note 4(b) – investment property; and
- Note 12(a) – fair values.

### **(f) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Management believes that during the six months ended 30 June 2021 and the year ended 31 December 2020, the Group operated in and was managed as one operating segment, being property investment.

## **3 Significant accounting policies**

The accounting policies applied in these consolidated interim condensed financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2021.

A number of other new pronouncements are effective from 1 January 2021 but they do not have a material effect on the Group's financial statements.

## **4 Investment property**

### **(a) Movements in investment property**

Movements in investment properties for the six months ended 30 June 2021 are as follows: fair value loss on revaluation in the amount of USD 9,027 thousand (unaudited) (six months ended 30 June 2020: fair value gain on revaluation in the amount of USD 30,096 thousand (unaudited)); currency translation gain in the amount of USD 10,179 thousand (unaudited) (six months ended 30 June 2020: loss USD 33,049 thousand (unaudited)); and additions in the amount of USD 4,987 thousand (unaudited) (six months ended 30 June 2020: USD 8,040 thousand (unaudited)).

As at 30 June 2021, in connection with loans and borrowings, the Group pledged as security investment property with a carrying value of USD 160,500 thousand (unaudited) (31 December 2020: USD 160,500 thousand) (refer to Note 13(a)).

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

The fair value measurement, developed for determination of fair value of the Group's investment property, is categorised within the Level 3 category due to the significance of unobservable inputs to the entire measurement, except for certain land held on the leasehold which is not associated with completed property and is therefore categorised within the Level 2 category. As at 30 June 2021, the fair value of investment property categorised within the Level 2 category is USD 29,400 thousand (unaudited) (31 December 2020: USD 29,400 thousand).

The most recent independent revaluation of investment property took place as at 31 December 2020. To assist with the estimation of the fair value of the Group's investment property, 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.

Group Management carefully considered investment property revaluation as at 30 June 2021. In light of the analysis of the retail property market, Group Management took a decision not to engage an independent property appraiser as at 30 June 2021. The reason for the decision is that the estimated value of property denominated in USD did not change significantly as compared to 31 December 2020.

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 where appropriate counter-notices, have been served validly and within the appropriate time.

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

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

- monthly weighted average rental rates per shopping centers, excluding turnover income, ranging from USD 9 to USD 19 per sq.m., comprising minimum rental rate of USD 3 and maximum rental rate of USD 203 per sq.m., which were based on contractual and market rental rates, adjusted for discounts or fixation of rental rates in Ukrainian hryvnia at a pre-agreed exchange rate, occupancy

- rates ranging from 98.1% to 100%, capitalisation rates ranging from 12.5% to 16.5% p.a. which represented key unobservable inputs for determination of fair value; and
- all relevant licences and permits, to the extent not yet received, will be obtained, in accordance with the timetables set out in the investment project plans.

As at 30 June 2021, the fair value of investment property, denominated in the functional currency, amounted to UAH 5,440,695 thousand (unaudited) and RUB 3,314,651 thousand (unaudited) (31 December 2020: UAH 5,660,575 thousand and RUB 3,383,507 thousand). The decrease in fair value of investment property in Ukrainian Hryvnia and in Russian Rouble resulted from the change in the currency exchange rates.

#### *Sensitivity at the date of valuation*

The valuation model used to assess the fair value of investment property as at 31 December 2020 is particularly sensitive to unobservable inputs in the following areas:

- If rental rates are 1% less than those used in valuation models, the fair value of investment properties would be USD 2,206 thousand lower. If rental rates are 1% higher, then the fair value of investment properties would be USD 2,206 thousand higher.
- If the capitalisation rate applied is 1% higher than that used in the valuation models, the fair value of investment properties would be USD 15,294 thousand lower. If the capitalisation rate is 1% less, then the fair value of investment properties would be USD 17,785 thousand higher.
- If the occupancy rate is 1% higher than that used in the valuation model, the fair value of investment properties would be USD 1,997 thousand higher. If the occupancy rates are 1% less, then the fair value of investment properties would be USD 1,998 thousand lower.

## **5 Loans and borrowings**

This note provides information about the contractual terms of loans.

*(in thousands of USD)*

|  | <b>30 June</b>          | 31 December 2020 |
|--|-------------------------|------------------|
|  | <b>2021 (unaudited)</b> |                  |
| <i>Non-current</i>   |                         |                  |
| Secured bank loans   | <b>24,350</b>           | 27,293           |
| Unsecured loans from related parties   | <b>21,420</b>           | 21,420           |
| Unsecured loans from third parties   | <b>24,496</b>           | 24,745           |
|  | <b>70,266</b>           | 73,458           |
| <i>Current</i>   |                         |                  |
| Secured bank loans (current portion of secured long-term bank loans)                                     | <b>22,938</b>           | 19,631           |
| Unsecured loans from related parties (including current portion of long-term loans from related parties) | <b>9,727</b>            | 11,630           |
| Unsecured loans from third parties   | <b>2,652</b>            | 1,099            |
|  | <b>35,317</b>           | 32,360           |
|  | <b>105,583</b>          | 105,818          |

### **Terms and debt repayment schedule**

As at 30 June 2021, the terms and debt repayment schedule of bank loans are as follows (unaudited):

| <i>(in thousands of USD)</i>                | <b>Currency</b> | <b>Nominal and effective interest rate</b> | <b>Contractual year of maturity</b> | <b>Carrying value</b> |
|---|-----------------|--|-------------------------------------|-----------------------|
| <i>Secured bank loans</i>                   |                 |  |                                     |                       |
| Secured bank loans                          | <b>USD</b>      | <b>6.5%-8.0%</b>                           | <b>2023-2026</b>                    | <b>39,377</b>         |
| Secured bank loans                          | <b>UAH</b>      | <b>13.25%</b>                              | <b>2025</b>                         | <b>7,911</b>          |
|   |                 |  |                                     | <hr/> <b>47,288</b>   |
| <i>Unsecured loans from related parties</i> |                 |  |                                     |                       |
| Unsecured loans from related parties        | <b>USD</b>      | <b>10.50%</b>                              | <b>2021-2023</b>                    | <b>30,845</b>         |
| Unsecured loans from related parties        | <b>USD</b>      | <b>10.0%</b>                               | <b>on demand</b>                    | <b>252</b>            |
| Unsecured loans from related parties        | <b>UAH/USD</b>  | <b>0-3.2%</b>                              | <b>2019</b>                         | <b>50</b>             |
|   |                 |  |                                     | <hr/> <b>31,147</b>   |
| <i>Unsecured loans from third parties</i>   |                 |  |                                     |                       |
| Unsecured loan from third party             | <b>USD</b>      | <b>10.50%</b>                              | <b>2021-2023</b>                    | <b>26,946</b>         |
| Unsecured loans from third parties          | <b>USD</b>      | <b>3.0%</b>                                | <b>2022</b>                         | <b>202</b>            |
|   |                 |  |                                     | <hr/> <b>27,148</b>   |
|   |                 |  |                                     | <hr/> <b>105,583</b>  |

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

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

For a description of assets pledged by the Group in connection with loans and borrowings refer to Note 13(a).



*(a) Joint Stock Company "Taskombank"*

During the 6 months period ended 30 June 2021, the Group signed an amendment to the loan agreement with Joint Stock Company "Taskombank" stipulating a decrease in the annual interest rate from 9.75% to 8.0%.

During the 6 months period ended 30 June 2021, the Group signed an amendment to the loan agreement with Joint Stock Company "Taskombank" stipulating a decrease in the annual interest rate from 11.25% to 8.0%. The loan is syndicated with PJSC "Universal Bank".

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

During the 6 months period ended 30 June 2021, the Group received tranches on the existing loan facility with a bank in the amount of USD 3,192 thousand to finance the construction of the Lukianivka shopping and entertainment centre. The tranche facility expires on 25 July 2026.

Besides this, the Group signed an amendment to the loan agreement with Joint Stock Company "State Saving Bank of Ukraine" stipulating a decrease in the annual interest rate from 7.5% to 6.5%..

In accordance with the loan agreement, the lender may require early repayment of the loan facility amount. Respectively, the total loan amount of USD 17,020 thousand is presented within the current liabilities as at 30 June 2021.

During the 6 months period ended 30 June 2021 a number of covenants under loan agreements with banks were amended.

## **6 Trade and other payables**

As at 30 June 2021, included in payables for construction works are accrued financial charges under construction agreement with third parties amounting to USD 15,928 thousand (31 December 2020: USD 15,323 thousand). In 2017-2018, the constructors claimed the Group to reimburse finance and foreign currency losses incurred by constructors due to untimely fulfillment of obligations by the Group companies under construction agreements, as well as fee for restructuring of accounts payable. As a result of negotiation accomplished on 12 July 2017, interest rate of 10.00% per annum was imposed on charges payable, they were converted to USD and maturity was postponed to 31 December 2025.

## **7 Other liabilities**

As at 30 June 2021, other liabilities mainly comprise the amount of principal and the amount of interest of the deferred consideration that is payable in respect of the acquisition in 2013 of Wayfield Limited and its subsidiary Budkhol LLC, amounting to USD 31,305 thousand (unaudited) and USD 3,008 thousand (unaudited), respectively (31 December 2020: USD 31,305 thousand and USD 1,378 thousand, respectively). As at 30 June 2021 and 31 December 2020, deferred consideration is presented in accordance with its final contractual maturity and bears 10.5% interest rate per annum.

## 8 Revenue

The revenue for the 6 months period ended 30 June is represented as follows:

|                                       | <b>2021</b>   | 2020   |
|---------------------------------------|---------------|--------|
| <i>(in thousands of USD)</i>          |               |        |
| Rental income:                        |               |        |
| Fixed lease payments                  | <b>12,013</b> | 9,725  |
| Variable lease payments               | <b>1,177</b>  | 969    |
|                                       | <b>13,190</b> | 10,694 |
| Revenue from contract with customers: |               |        |
| Common parts exploitation services    | <b>3,566</b>  | 3,415  |
| Marketing services                    | <b>150</b>    | 128    |
|                                       | <b>3,716</b>  | 3,543  |
|                                       | <b>16,906</b> | 14,237 |

The Group's operations are those described in the last annual financial statements. The major amount of the Group's revenue is represented by rental income from investment properties that falls within the requirements of IFRS 16 *Leases* and amounts to USD 13,190 thousand (unaudited) for the six months ended 30 June 2021 (six months ended 30 June 2020 (unaudited): USD 10,694 thousand).

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

## 9 Finance income

During six months ended June 2021 finance income comprised foreign exchange gain of USD 2,043 thousand, interest income of USD 229 thousand, other finance income of USD 109 thousand (unaudited) (six months ended 30 June 2020: interest income of USD 103 thousand).

## 10 Finance expenses

During six months ended 30 June 2021 finance expenses comprised interest expenses of USD 6,362 thousand (unaudited) (six months ended 30 June 2020: interest expenses of USD 5,585 thousand and foreign exchange loss of USD 7,117 thousand (unaudited)).

## 11 Income tax expenses

During six months ended 30 June 2021 income tax expenses mainly comprised deferred income tax benefit of USD 1,242 thousand (unaudited) (six months ended 30 June 2020: deferred income tax expense of USD 4,677 thousand (unaudited)) and current income tax expense of USD 504 thousand (six months ended 30 June 2020: USD 377 thousand)

## 12 Financial risk management

During the six months ended 30 June 2021, the Group had no significant changes in financial risk management policies as compared to 31 December 2020.

### (a) 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 interim condensed financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Group's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

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

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

|   | 30 June 2021       |                       | 31 December 2020   |                       |
|---|--------------------|-----------------------|--------------------|-----------------------|
|   | Carrying<br>amount | Fair value<br>Level 2 | Carrying<br>amount | Fair value<br>Level 2 |
| <i>(in thousands of USD)</i>                            |                    |                       |                    |                       |
| <i>Financial liabilities not measured at fair value</i> |                    |                       |                    |                       |
| <i>Non-current</i>                                      |                    |                       |                    |                       |
| Secured bank loans                                      | 24,350             | 24,838                | 27,293             | 30,804                |
| Unsecured loans from related parties                    | 21,420             | 23,768                | 21,420             | 20,049                |
| Unsecured loans from third parties                      | 24,496             | 27,413                | 24,745             | 24,791                |
| Payables for construction works                         | 15,935             | 17,641                | 15,330             | 18,082                |
| Deferred consideration                                  | 31,305             | 34,932                | 31,305             | 31,376                |
| Other long-term liabilities                             | 164                | 164                   | 157                | 157                   |
|   | 117,670            | 128,756               | 120,250            | 125,259               |

*Current*

|  |                |                |         |         |
|--|----------------|----------------|---------|---------|
| Secured bank loans (current portion of long-term bank loans)   | <b>22,938</b>  | <b>13,756</b>  | 19,631  | 23,189  |
| Unsecured loans from related parties (including current portion of long-term loans from related parties) | <b>9,727</b>   | <b>10,511</b>  | 11,630  | 11,108  |
| Unsecured loans from third parties   | <b>2,652</b>   | <b>2,570</b>   | 1,099   | 1,141   |
| Deferred consideration   | <b>3,008</b>   | <b>3,356</b>   | 1,369   | 1,381   |
|  | <b>38,325</b>  | <b>30,193</b>  | 33,729  | 36,819  |
|  | <b>155,995</b> | <b>158,949</b> | 153,979 | 162,078 |

## 13 Commitments and contingencies

### (a) Pledged assets

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

| <i>(in thousands of USD)</i>    | <b>30 June 2021</b><br><b>(unaudited)</b> | 31 December 2020 |
|---------------------------------|---|------------------|
| Investment property (note 4(a)) | <b>160,500</b>                            | 160,500          |
| Bank balances                   | <b>1,132</b>                              | 212              |
|                                 | <b>161,632</b>                            | 160,712          |

As at 30 June 2021 (unaudited) and 31 December 2020, the Group had also pledged the following:

- Rights on future income of Prisma Alfa LLC under all lease agreements for the period of validity of loan agreement between Prisma Alfa LLC with Raiffeisen Bank Aval.
- Investments in the following subsidiaries: Comfort Market Luks LLC and PrJSC Livoberezhzhainvest (31 December 2020: PrJSC Ukrpangroup, Comfort Market Luks LLC and PrJSC Livoberezhzhainvest).

### (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 total amount of USD 50,761 thousand as at 30 June 2021 (unaudited) (31 December 2020: USD 53,255 thousand).

### (b) Taxation contingencies

#### *(i) Ukraine*

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and

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

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

**(ii) *Russian Federation***

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

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

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

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

**(iii) *Republic of Cyprus***

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

Additionally, a new transfer pricing legislation was enacted in Cyprus from 30 June 2017, which requires entities to conduct intra-group financing transactions on the arm's length principle (a principle under which transactions are performed at market rates, as would have been performed between unrelated entities). The legislation requires taxpayers to prepare and submit to the tax authorities

transfer pricing study documents justifying margins applied to the intra-group financing. The compliance of margins applied to the arms' length principle could be subject to scrutiny on the basis of unjustified tax benefit concept. Given the fact that the above rule has been in force for a limited period of time, currently, there is no established practice of its application by the tax authorities, and there can be no assurance that the tax authorities' interpretations of the approaches will concur with those used by the Group, which could result in the accrual of fines and penalty interest on the Group.

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

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

## **14 Related party transactions**

### **(a) Control relationships**

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

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

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

#### ***Key management remuneration***

Key management compensation included in the consolidated condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 is represented by salary and bonuses of USD 293 thousand (unaudited) (six months ended 30 June 2020: USD 252 thousand (unaudited)).

#### ***Directors' interests***

The direct and indirect interest of the members of the Board in share capital of the Company as at 31 December 2020 and 30 June 2021 and as at the date of signing of these consolidated interim condensed financial statements is as follows:

| <b>Name</b>   | <b>Type of interest</b> | <b>Effective shareholding rate</b> |
|---------------|-------------------------|------------------------------------|
| Mr. Jüri Põld | Direct shareholding     | 7.07%                              |

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

Outstanding balances with entities under common control are as follows:

|   | <b>30 June 2021</b> | 31 December 2020 |
|---|---------------------|------------------|
|   | <b>(unaudited)</b>  |                  |
| <i>(in thousands of USD)</i>  |                     |                  |
| Short-term loans receivable   | <b>11,344</b>       | 11,208           |
| Trade receivables   | <b>1</b>            | 1                |
| Other receivables   | <b>8,160</b>        | 8,160            |
| Provision for impairment of trade and other receivables and loans receivable from related parties | <b>(19,503)</b>     | (19,366)         |
|   | <b>2</b>            | 3                |
| Long-term loans and borrowings  | <b>21,420</b>       | 21,420           |
| Short-term loans and borrowings   | <b>9,727</b>        | 11,630           |
| Trade and other payables  | <b>214</b>          | 218              |
| Advances received   | <b>25</b>           | 24               |
|   | <b>31,386</b>       | 33,292           |

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

|                              | <b>2021</b>        | 2020        |
|------------------------------|--------------------|-------------|
|                              | <b>(unaudited)</b> | (unaudited) |
| <i>(in thousands of USD)</i> |                    |             |
| Interest expense             | <b>(1,502)</b>     | (1,553)     |

All outstanding balances with related parties are priced on an arm's length basis and are to be settled in cash in accordance with contractual terms. None of the balances are secured.

**15 Subsequent events**

Subsequently to the reporting date, the maturities of certain amounts of accrued interest on loans and borrowings and other payables, that were presented within current liabilities as at 30 June 2021, were changed to 1 August 2023, because of non-execution of the contractual rights of the lenders to require settlement of these amounts by 1 August 2021. As at 30 June 2021, such accrued interest is represented within loans and borrowings from related parties amounting to USD 2,717 thousand, loans and borrowings from third parties amounting to USD 2,401 thousand and other current liabilities amounting to USD 3,008 thousand. This has improved the liquidity position of the Group.