

TMM Real Estate Development plc
Unaudited Interim Condensed
Consolidated Financial Statements

As at 30 June 2015

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

Maarten van den Belt
Dominic Dreyfus
Nikoloz Ehlukidze
Mykola Tolmachov
Larysa Chyvurina

SECRETARY

Inter Jura CY (Services) Limited

INDEPENDENT AUDITORS

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Jean Nouvel Tower
6 Stasinou Ave
1060 Nicosia
Cyprus

BANKERS

Bank of Cyprus Public Company Ltd
JSC "UniCredit bank"
JSC "State savings bank of Ukraine"
PJSC "Bank Credit Agricole"
JSC "ING Bank Ukraine"

REGISTERED OFFICE

1, Lampousas Str.,
1095, Nicosia,
Cyprus

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six-month period ended 30 June 2015

(in thousands of US dollars, unless otherwise indicated)

	Notes	The six-month period ended 30 June 2015	The six-month period ended 30 June 2014
Revenue	4	6,257	21,955
Cost of sales		(4,732)	(19,219)
Gross profit		1,525	2,736
Other operating income		155	437
General and administrative expenses		(757)	(1,551)
Selling and distribution expenses		(158)	(385)
Other operating expenses		(951)	(442)
Operating (loss) / profit		(186)	795
Finance costs		(1,902)	(5,288)
Foreign exchange loss, net		(3,520)	(8,326)
Loss before tax		(5,608)	(12,819)
Income tax (expense) / benefit	6	(467)	197
Loss for the period		(6,075)	(12,622)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation to presentation currency		(11,206)	(40,115)
Other comprehensive loss for the period		(11,206)	(40,115)
Total comprehensive loss for the period		(17,281)	(52,737)
Loss attributable to:			
Equity holders of the parent		(6,064)	(12,599)
Non-controlling interests		(11)	(23)
		(6,075)	(12,622)
Total comprehensive loss attributable to:			
Equity holders of the parent		(17,137)	(52,570)
Non-controlling interests		(144)	(167)
		(17,281)	(52,737)
Basic and diluted earnings per share (in US dollars)		(0.12)	(0.25)

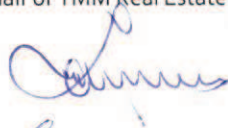
The accompanying notes form an integral part of the interim condensed consolidated financial statements
The interim condensed consolidated financial statements were not subject to audit or review

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**as at 30 June 2015***(in thousands of US dollars, unless otherwise indicated)*

	Notes	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	7	37,781	50,848
Intangible assets		90	148
Investment properties	8	27,912	37,210
Property development rights	9	8,983	11,238
		<u>74,766</u>	<u>99,444</u>
Current assets			
Inventories	10	69,735	93,842
Trade and other receivables		14,662	18,279
Prepayments		6,756	9,079
Prepaid income tax		-	-
Taxes recoverable, other than income tax		139	161
Cash and cash equivalents		126	211
		<u>91,418</u>	<u>121,572</u>
TOTAL ASSETS		<u>166,184</u>	<u>221,016</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		510	510
Share premium		99,191	99,191
Additional paid-in capital		15,450	15,450
Revaluation reserve		79,469	79,469
Accumulated deficit		(38,183)	(32,119)
Translation reserve		(121,035)	(109,962)
Equity attributable to equity holders of the parent		<u>35,402</u>	<u>52,539</u>
Non-controlling interests		387	531
Total equity		<u>35,789</u>	<u>53,070</u>
Non-current liabilities			
Interest-bearing loans and borrowings	11	31,041	41,898
Deferred tax liability		9,239	11,681
		<u>40,280</u>	<u>53,579</u>
Current liabilities			
Trade and other payables		17,785	20,189
Interest-bearing loans and borrowings	11	36,287	49,901
Finance lease liability		338	492
Advances received		28,809	35,695
Income tax payable		170	262
Taxes payable, other than income tax		2,843	3,270
Provisions		3,883	4,558
		<u>90,115</u>	<u>114,367</u>
TOTAL LIABILITIES		<u>130,395</u>	<u>167,946</u>
TOTAL EQUITY AND LIABILITIES		<u>166,184</u>	<u>221,016</u>

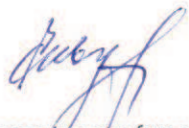
Signed and authorised for release on behalf of TMM Real Estate Development plc on 28th September 2015:

Director



Mykola Tolmachov

Director



Larysa Chyvurina

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended 30 June 2015

(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Additional paid-in capital	Revaluation reserve	Retained earnings	Translation reserve		
Balance at 1 January 2014	510	99,191	15,450	65,313	(10,962)	(70,295)	99,207	99,650
Loss for the period	-	-	-	-	(12,599)	-	(12,599)	(12,622)
Other comprehensive loss	-	-	-	-	1,756	(41,727)	(39,971)	(40,115)
Total comprehensive loss for the period	-	-	-	-	(10,843)	(41,727)	(52,570)	(52,737)
Transfer of revaluation reserve, net of taxes	-	-	-	(827)	827	-	-	-
Balance at 30 June 2014	510	99,191	15,450	64,486	(20,978)	(112,022)	46,637	46,913
Balance at 1 January 2015	510	99,191	15,450	79,469	(32,119)	(109,962)	52,539	53,070
Loss for the period	-	-	-	-	(6,064)	-	(6,064)	(6,075)
Other comprehensive loss	-	-	-	-	-	(11,073)	(11,073)	(11,206)
Total comprehensive loss for the period	-	-	-	-	(6,064)	(11,073)	(17,137)	(17,281)
Transfer of revaluation reserve, net of taxes	-	-	-	-	-	-	-	-
Balance at 30 June 2015	510	99,191	15,450	79,469	(38,183)	(121,035)	35,402	35,789

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2015
(in thousands of US dollars, unless otherwise indicated)

	Notes	The six- month period ended 30 June 2015	The six- month period ended 30 June 2014
Operating activities			
Loss before tax		(5,608)	(12,819)
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortisation		316	846
Gain on disposal of property, plant and equipment and investment properties	7, 8	(4)	(76)
Accrual of VAT liability		442	2,366
Finance costs		1,902	5,288
Unrealised foreign exchange loss		5,309	9,932
Working capital adjustments			
Change in inventories		966	8,734
Change in trade and other receivables		79	(2,749)
Change in prepayments		126	3,693
Change in taxes recoverable, other than income tax		(18)	198
Change in trade and other payables and provisions		1,726	(7,853)
Change in advances received		1,740	1,853
Change in taxes payable, other than income tax		(59)	49
Interest paid		(1,546)	(3,186)
Net cash flows from operating activities		<u>5,371</u>	<u>6,276</u>
Investing activities			
Proceeds from sale of property, plant and equipment and investment properties	7, 8	8	1,712
Purchase of property, plant and equipment and investment properties	7	(35)	(915)
Purchase of property development rights		-	(73)
Net cash flows (used in) / from investing activities		<u>(27)</u>	<u>724</u>
Financing activities			
Proceeds from loans	11	-	1,477
Repayment of loans		(5,349)	(8,925)
Repayment of finance lease liabilities		(27)	(742)
Net cash flows used in financing activities		<u>(5,376)</u>	<u>(8,190)</u>
Net decrease in cash and cash equivalents		(32)	(1,190)
Effect of movements in exchange rates on cash and cash equivalents		(53)	(606)
Cash and cash equivalents as at 1 January		211	2,383
Cash and cash equivalents as at 30 June		<u>126</u>	<u>587</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
as at and for the six-month period ended 30 June 2015
(in thousands of US dollars, unless otherwise indicated)

1. Background

Corporate information

These interim condensed consolidated financial statements are prepared by TMM Real Estate Development plc (hereinafter referred to as the "Company"), a Cyprus public company incorporated in Nicosia, Cyprus on 30 November 2006 under Cyprus Companies Law, Cap. 113. The address of the Company's registered office is 1, Lampousas Str., 1095, Nicosia, Cyprus and its principal place of business is 49 A Vladimirskaya street, Kyiv, Ukraine 01034.

The Company is a subsidiary of TMM Holdings Ltd, which is also incorporated in Cyprus.

The Company mainly acts as a holding company and exercises control over the operations of its subsidiaries.

The principal activity of the Company and its subsidiaries (collectively referred to as the "Group") is the construction and development of residential and business properties in Ukraine (mainly Kyiv, Kharkiv, Zhytomir and Crimea).

The list of the subsidiaries and associates and the Company's effective ownership interest as at 30 June is disclosed below.

<i>Name</i>	<i>Principal activities</i>	<i>30 June 2015</i>	<i>31 December 2014</i>
Subsidiaries:			
"T.M.M." Ltd	Construction and development	100.0%	100.0%
"Geravit" Ltd	Development project	100.0%	100.0%
LLC "Palladiy"	Development project	100.0%	100.0%
LLC "TAVRIDA-PLAZA"	Development project	100.0%	100.0%
LLC "Stimul LTD +"	Development project	100.0%	100.0%
PE "Budinvestservice 2004"	Development project	100.0%	100.0%
PE "GREENBUD"	Development project	100.0%	100.0%
PJSC "Company "Viktor"	Development project	100.0%	100.0%
LLC "Kirovograd Plant of Construction Ceramics"	Production of construction materials	99.9%	99.9%
Ltd "TMM PALLADA"	Development project	99.0%	99.0%
LLC "Economsystema"	Development project	99.0%	99.0%
LLC "Specialist"	Development project	98.0%	98.0%
JSC "Ukrucukorteploizolyaciya"	Production of construction materials	98.0%	98.0%
Ltd "TMM - VIKNA"	Production of construction materials	91.0%	91.0%
LLC "TMM - Budkomplekt"	Production of construction materials	90.0%	90.0%
LLC "B2B"	Development project	99.8%	99.8%
LLC "ADEPT-2004"	Development project	70.0%	70.0%
Ltd "TMM-Energo"	Development project	60.0%	60.0%

Seventeen subsidiaries are incorporated in Ukraine. LLC "TAVRIDA-PLAZA", following the accession of Crimea to the Russian Federation, was legally restructured under the legislation of Russian Federation.

The Group is ultimately controlled by Mr. Mykola Tolmachov.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)***Ukrainian business environment**

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation, and significant imbalances in the public finance and foreign trade.

In 2014, Ukrainian political and economic situation deteriorated significantly. The political and social unrest combined with regional tensions has led to the secession of the Autonomous Republic of Crimea to the Russian Federation, full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and, ultimately, to the significant deterioration of the political and economic relations of Ukraine with the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the NBU's foreign currency reserves and, as a result, further downgrading of the Ukrainian sovereign debt credit ratings.

From 1 January 2015 and up to the date of the issuance of these interim condensed consolidated financial statements, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 38% calculated based on the National Bank of Ukraine (the "NBU") exchange rate of UAH to US Dollar. The NBU imposed certain restrictions on purchase of foreign currencies, cross border settlements, and also mandated obligatory conversion of foreign currency proceeds into UAH.

The known and estimable effects of the above events on the financial position and performance of the Group in the reporting period have been taken into account in preparing these interim condensed consolidated financial statements. Specific effects of the secession of Crimea and the ongoing conflict in the eastern regions of the country are disclosed below in this note.

Following the accession of Crimea to the Russian Federation, the Group completed a legal restructuring of the majority of its operations and ceased some of its operations in the region. The carrying value of the assets located in Crimea as at 30 June 2015 is USD 6,450 thousand, or approximately 3.9% of total assets (31 December 2014: USD 8,675 thousand, or approximately 3.9% of total assets). The operations in Crimea have contributed less than 1% to the Group's total revenues for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: less than 1%).

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate. Stabilisation of the Ukrainian economy in the foreseeable future depends on the success of the actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Group's financial position and performance in a manner not currently determinable.

Real estate market risk in Ukraine

Starting from the last quarter of 2008, the Ukrainian residential and industrial property markets have suffered a significant fall in demand following the overall macroeconomic turmoil. This resulted in weak liquidity and the poor conditions prevailing in the Ukrainian property market. The market prices stabilised in 2010-2013 and increased in 2014 in UAH terms due to the depreciation of UAH against US Dollar, however, it is not expected that a significant improvement in market conditions will emerge in the foreseeable future given the deterioration of Ukrainian political and economic situation in 2014 and thereafter, the lack of availability of mortgage and development financing and weak consumption power in the market.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable. Please refer to Note 2 "Going concern" for further details.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)***2. Basis of preparation and accounting policies****Statement of compliance**

These interim condensed consolidated financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2014.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014, which are available on the corporate web-site of the Group.

Going concern

During the six-month period ended 30 June 2015 the Group reported a net loss of USD 6,075 thousand (six-month period ended 30 June 2014: USD 12,622 thousand). The negative financial results are mainly caused by depreciation of UAH against major foreign currencies (Note 1) and weakened demand for residential and commercial property in Ukraine. The decline in market liquidity and consumption power may affect the Group's ability to generate cash flows from operating activities sufficient to repay its debt when it falls due.

The Group needs to repay USD 36,287 thousand of interest-bearing loans and borrowings, which fall due in the short term. The Group commenced negotiations with its largest lender seeking to extend repayment of debt due in 2015. As of the date of authorisation of these interim condensed consolidated financial statements the results of these negotiations are uncertain.

The Group's financial plan for 2015 anticipates growth in cash inflows from property sales and construction services as compared to 2014. To achieve the increase in positive cash inflow from its operations in 2015 the Group plans the following:

- to sell completed property which is already completed and property under development which may be sold to buyers on a pre-payment basis;
- extend repayment of the principal and interest due to the largest lender;
- participate in tenders for rendering of construction services;
- to sell investment properties and property rights;
- enhance an advertising campaign seeking to attract new customers.

Should the Group fail to achieve the planned cash inflows from property sales and rendering construction services the resulting deficit may be partially compensated by suspension of certain construction projects in 2015.

The Group's ability to continue its operations on a going concern basis depends on (i) generation of sufficient cash flows from its operating activities, and (ii) its ability to extend the payment terms of its interest-bearing loan which falls due in 2015.

The actual outcome of the debt restructuring negotiations and the success of the management plan to ensure planned growth in cash inflows from property sales are uncertain. These conditions represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Functional and presentation currencies

These interim condensed consolidated financial statements are presented in US dollars ("USD") and all values are rounded off to the nearest thousand except when otherwise indicated.

The functional currency of major companies of the Group is the Ukrainian hryvnia ("UAH") as it reflects the economic substance of the underlying events and circumstances of their operations.

In translating the 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 for the year

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)*

- 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 is not a freely convertible currency outside Ukraine, and, accordingly, any conversion of UAH amounts into USD should not be construed as a representation that UAH 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 exchange rate used in the preparation of these interim condensed consolidated financial statements is UAH 21.02 to USD 1.00 (31 December 2014: UAH 15.77 to USD 1.00). Average USD exchange rate for the six-month period ended 30 June 2015 is UAH 21.36 to USD 1.00 (30 June 2014: UAH 10.18 to USD 1.00).

Judgements and estimates

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

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

Significant accounting policies

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

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

3. Seasonality of operations

The Group's business is not materially exposed to the seasonal fluctuations.

4. Revenue

Revenue for the six-month period ended 30 June comprised:

	<u>2015</u>	<u>2014</u>
Sales of completed inventory property	3,924	11,483
Utility services income	1,314	2,267
Rental income from investment properties	591	1,071
Construction services revenue	170	5,831
Other services	258	1,303
	<u>6,257</u>	<u>21,955</u>

Other services mainly comprised transportation, engineering and design services rendered to third parties. All revenue is generated from sales to customers in Ukraine.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)***5. Operating segment information****Identification of reportable segments**

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

- Investment property segment – leases residential and commercial property owned by the Group;
- Property development and construction segment - builds and sells residential and commercial property, renders construction services.
- Utility services and other operations segment – provides utility services to tenants.

No operating segments have been aggregated to form the above reportable operating segments.

An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result, where segment result is determined as gross profit plus change in fair value of investment properties and selling and distribution expenses.

For the six-month period ended 30 June the Group's segmental information was as follows:

	<i>Investment property</i>	<i>Property development</i>	<i>Utility services and other operations segment</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
2015						
Revenue						
External customers	591	4,094	1,715	6,400	(143)	6,257
Inter-segment	-	-	97	97	(97)	-
Total revenue	591	4,094	1,812	6,497	(240)	6,257
Results						
Depreciation	-	(316)	-	(316)	-	(316)
Selling and distribution expenses	(15)	(143)	-	(158)	-	(158)
Segment results (including cost of sales)	576	921	110	1,607	(240)	1,367
2014						
Revenue						
External customers	1,071	17,314	3,844	22,229	(274)	21,955
Inter-segment	-	-	(179)	(179)	179	-
Total revenue	1,071	17,314	3,665	22,050	(95)	21,955
Results						
Depreciation	-	(846)	-	(846)	-	(846)
Selling and distribution expenses	(46)	(339)	-	(385)	-	(385)
Segment results (including cost of sales)	1,025	847	574	2,446	(95)	2,351

External customer's revenues are adjusted for differences in the period of recognition.

Inter-segment revenues are eliminated on consolidation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)***5. Operating segment information (continued)***Reconciliation of profit*

	<i>The six-month period ended 30 June 2015</i>	<i>The six-month period ended 30 June 2014</i>
Segment results	1,607	2,446
General and administrative expenses	(757)	(1,551)
Other operating expenses	(951)	(442)
Other operating income	155	437
Finance costs	(1,902)	(5,288)
Foreign exchange loss, net	(3,520)	(8,326)
Inter-segment sales (eliminations)	(240)	(95)
Consolidated loss before tax	(5,608)	(12,819)

Other operating income, general and administrative expenses, other operating expenses, finance income, finance costs and foreign exchange gain, net are not allocated to individual segments as they are managed on a group basis.

6. Income tax

The major components of income tax expense for the six-month period ended 30 June are:

Profit or loss

	<u>2015</u>	<u>2014</u>
Current income tax charge	-	-
Deferred tax relating to reversal and origination of temporary differences	467	(197)
Income tax expense / (benefit) reported in profit or loss	467	(197)

Income tax expense / (benefit) is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax loss of the interim period.

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its entities (in Ukraine and Cyprus).

The most of the Group's operations are performed in Ukraine. Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual.

During the six-month period ended 30 June 2015 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2014: 18%). The tax rate in Cyprus is 12.5% (2014: 12.5%).

7. Property, plant and equipment

During the six-month period ended 30 June 2015, the Group purchased property and equipment with a cost of USD 35 thousand (six-month period ended 30 June 2014: USD 915 thousand).

Property and equipment with a carrying amount of USD 4 thousand were disposed during six-month period ended 30 June 2015, resulting in a gain on disposal of USD 4 thousand (six-month period ended 30 June 2014: USD 162 thousand and gain of USD 60 thousand, respectively).

8. Investment properties

Investment properties comprise a number of commercial properties held with the aim of capital appreciation and earning rentals or both.

During six-month period ended 30 June 2015 and 2014, the Group did not purchase investment properties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)*

During six-month period ended 30 June 2015, the Group did not dispose of investment properties. During six-month period ended 30 June 2014, investment properties with carrying amount of USD 1,474 thousand were disposed of, resulting in a gain on disposal of USD 16 thousand.

Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer as at 31 December 2014. Fair value was determined by reference to market based evidence, which is based on active market quotes, adjusted for any difference in the nature, location or condition of the specific property.

The Group did not obtain an updated appraisal report for the investment property as at 30 June 2015, because management believes that no significant changes took place on the real estate market since the date of the latest valuation and that the fair value of investment property did not fluctuate significantly.

9. Property development rights

Property development rights were as follows (by projects):

<u>Name of the project</u>	<u>Location of the project</u>	<u>Type of the project</u>	<u>30 June 2015</u>	<u>31 December 2014</u>
Arabatska strilka	Kherson	Resort	1,591	2,109
Satellite Town	Kyiv	Residential	1,492	1,989
Moskovskyj	Kharkiv	Residential	1,382	1,469
Parkove	Yalta	Resort	815	1,087
Bereznevyj	Kyiv	Residential	478	631
Uborevicha	Kyiv	Commercial	228	305
Korchagintsiv	Kharkiv	Residential	215	270
Dytyachoi Komuny	Zhytomyr	Residential	122	157
Tisa	Carpathians	Resort	120	160
Lubyanka	Kyiv	Land plots	57	76
Other	Kyiv, Kharkiv	Various	2,483	2,985
			<u>8,983</u>	<u>11,238</u>

10. Inventories

There were no inventory write-downs recognised during the six-month period ended 30 June 2015 and 2014.

11. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings were as follows:

	<u>30 June 2015</u>	<u>31 December 2014</u>
<i>Current</i>		
Bank loans	34,899	48,390
Supplier credits	<u>1,388</u>	<u>1,511</u>
	<u>36,287</u>	<u>49,901</u>
<i>Non-current</i>		
Bank loans	<u>31,041</u>	<u>41,898</u>
	<u>31,041</u>	<u>41,898</u>
	<u>67,328</u>	<u>91,799</u>

During six-month period ended 30 June 2015, the Group did not obtain any additional debt financing (six-month period ended 30 June 2014: USD 1,477 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)***12. Related party disclosure**

The Group's transactions with its related parties for the six-month period ended 30 June were as follows:

	<u>Revenue</u>	<u>Other operating income</u>	<u>Purchases</u>	<u>Other operating expenses</u>
<i>2015</i>				
Entities under common control	12	-	164	-
Other related parties	16	-	11	58
	<u>28</u>	<u>-</u>	<u>175</u>	<u>58</u>
<i>2014</i>				
Entities under common control	100	5	616	2
	<u>100</u>	<u>5</u>	<u>616</u>	<u>2</u>

The outstanding balances due from / to related parties were as follows:

	<u>Trade and other receivables</u>	<u>Prepayments</u>	<u>Trade and other payables</u>	<u>Advances received</u>
<i>30 June 2015</i>				
Entities under common control	10,037	5,891	3,915	5,710
Other related parties	605	3	106	2
	<u>10,642</u>	<u>5,894</u>	<u>4,021</u>	<u>5,712</u>
<i>31 December 2014</i>				
Entities under common control	10,049	-	5,089	7,610
Other related parties	686	-	53	3
	<u>10,735</u>	<u>-</u>	<u>5,142</u>	<u>7,613</u>

Terms and conditions of transactions with related parties

Outstanding receivable and payable balances, excluding prepayments and advances received, at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at and for the six-month period ended 30 June 2015 the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

Compensation to key management personnel

Key management personnel consist of five top executives of the Group.

During six-month period ended 30 June 2015 the total short-term employee benefits to key management personnel comprised wages and salaries and respective social security taxes in the amount of USD 61 thousand and USD 11 thousand, respectively, and were included in general and administrative expenses (30 June 2014: USD 146 thousand and USD 22 thousand, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**as at and for the six-month period ended 30 June 2015***(in thousands of US dollars, unless otherwise indicated)***13. Contingencies and commitments****Tax matters**

As discussed in Note 1, the Group conducts majority of its operations in Ukraine. The Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. In general, legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities. Instances of inconsistent interpretations are not unusual. The uncertainty of inconsistent enforcement and application of Ukrainian tax laws creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities. Such claims, if sustained, could have a material effect. As at 30 June 2015 the Group's management estimated that maximum cumulated tax exposure amounted to USD 9,477 thousand (31 December 2014: USD 12,631 thousand).

In particular, the Group is exposed to inconsistent interpretations related to revenue recognition for tax purposes in real-estate sector. In addition, certain other transactions carried out by the Group with clients and suppliers in order to provide for both parties with a financial flexibility, may be challenged by regulators and treated for tax purposes in a different way. Consequently, it is possible that tax authorities may assess additional income and other taxes as well as penalties against the Group. Although this risk significantly diminishes with passage of time, the unfavourable outcome, which likelihood and amount cannot be presently determined with sufficient reliability, may have a material effect on the Group's financial position, results of operations and cash flows.

The Group management believes that the Group has sufficient basis to support its compliance with all regulations, and it is not likely that any significant settlement will arise from its interpretation and application of tax legislation and regulations.

Operating lease – the Group as a lessor

Future minimum rentals receivable under a non-cancellable operating lease were as follows:

	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
Within one year	1,070	1,251
After one year but not more than five years	168	366
	<u>1,238</u>	<u>1,617</u>

14. Financial risk management objectives and policies

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2014.