

TMM Real Estate Development plc
Consolidated Financial Statements

*As at 31 December 2015 and
for the year then ended
with Independent Auditors' Report*

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

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

SECRETARY

Inter Jura CY (Services) Limited

INDEPENDENT AUDITORS

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O.Box 21121, 1502, Nicosia, Cyprus
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BANKERS

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

REGISTERED OFFICE

1, Lampousas Str.,
1095, Nicosia,
Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of TMM Real Estate Development plc (the "Company") presents to the shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the construction and development of residential and business properties mainly in Kyiv and Kharkiv regions of Ukraine.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Board of Directors has assessed the risks set out in this report and believes that steps taken in a country specific environment to mitigate risks are appropriate to reduce their material adverse effect on the financial performance and financial position of the Group. Therefore: (i) the current financial position as presented in the consolidated financial statements is considered satisfactory under the present circumstances; (ii) the Board of Directors does not expect major changes in the principal activities of the Group in the short term.

FINANCIAL RESULTS AND DIVIDENDS

The Group's results for the year ended are set out on page 1.

The Board of Directors does not recommend the payment of a dividend. The net loss for the year is transferred to reserves.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group are (i) those related to the political and economic unrest in Ukraine, (ii) real estate market risk in Ukraine and (iii) going concern uncertainty disclosed in notes 2 and 3.

SHARE CAPITAL

There were no changes to the Company's share capital during the year.

BRANCHES

During the year ended 31 December 2015 the Company did not operate any branches.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company as at 31 December 2015 and at the date of this report are shown on page (a). All of them were members of the Board of Directors throughout the year.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

EVENTS AFTER THE REPORTING DATE

Any significant events that occurred after the end of the year are described in Note 35 to the consolidated financial statements.

INDEPENDENT AUDITORS

During the year the independent auditors of the Company, Ernst & Young Cyprus Limited, resigned and KPMG Limited was appointed in their place.

The independent auditors, KPMG Cyprus Limited, were appointed by the shareholders and have expressed their willingness to continue in office. A resolution proposing their re-appointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting.

By order of the Board of Directors,

Director



Mykola Tolmachov

Director



Larysa Chyvurina

Date: 30 June 2016



KPMG Limited
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TMM Real Estate Development plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of TMM Real Estate Development plc (the "Group") and its subsidiaries (together with the Company, the "Group") on pages 1 to 46 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

Board Members

NG Syrmis AK Christofilides PG Luzon AM Gregoriades AA Demetrou
DS Vakis AA Apostolou SA Louides MA Ioizides SG Soforidou
MM Antonades CV Vasilogi PE Antonades MJ Haidos MP Michail
PA Pefalides GV Markides MA Papacosta KA Papantoniou AI Skaramantou
GN Tziotzis HS Charalithos CP Anayiotou IP Ghaanos MG Gregoriades
HA Kakoulis GP Savva CA Kaias CN Kalis MH Zorzos PS Eliu
NG Lazarou ZE Iliadjacharous ES Theodoridou MA Karantoni EA Markides
GV Andreou AT Ntoulas GS Prodromou A G. Sotiriadou CN Syrmis TP Tsaprasides

KPMG Limited, a private company limited by shares registered in Cyprus at the registration number HE 132822 with its registered office at 14 Esperidon Street 1087 Nicosia, Cyprus

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

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

Basis for qualified opinion

As at 31 December 2015, management revalued property, plant and equipment located in the Republic of Crimea and stated at USD 5,587 thousand using a method that is not appropriate in the circumstances in accordance with International Financial Reporting Standard IFRS 13 *Fair Value Measurement*. The effects of this departure from International Financial Reporting Standards on the consolidated financial statements have not been determined.

For the year ended 31 December 2015, the Group has not recognized revenues from sale of certain completed inventory property, for which the risks and rewards were transferred to customers as at that date, as required by International Financial Reporting Standard IAS 18 *Revenue*. The effects of this departure from International Financial Reporting Standards on the consolidated financial statements have not been determined.

Qualified opinion

In our opinion, except for the effect on the consolidated financial statements of the matters referred to in the basis for qualified audit opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Law, Cap. 113.

Emphasis of matters

- (i) We draw your attention to Note 3 to the consolidated financial statements, which describes that the Group incurred a net loss of USD 17,010 thousand for the year ended 31 December 2015 and, as at that date, its current liabilities exceeded its current assets by USD 35,517 thousand.

These conditions, along with the other matters described in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further qualified in respect of this matter.



- (ii) We further draw attention to Note 2 (a) to the consolidated financial statements, which describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 in Ukraine. The events referred to in Note 2 (a) could adversely affect the Group's results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009, L.42(I)/2009, as amended from time to time ("Law 42(I)/2009"), we report the following:

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

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of Law 42(I)/2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative Figures

The consolidated financial statements of the Group as at for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 30 June 2015.

Constantinos N. Kallis, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited

Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

30 June 2016

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2015**
(in thousands of US dollars, unless otherwise indicated)

	Notes	2015	2014
Revenue	7	9,628	32,608
Cost of revenue	8	(7,437)	(29,958)
Gross profit		<u>2,191</u>	<u>2,650</u>
Change in fair value of investment properties	18	4,884	17,325
Other operating income	9	3,406	549
General and administrative expenses	10	(1,605)	(2,634)
Selling and distribution expenses	11	(226)	(511)
Other operating expenses	12	(19,566)	(16,658)
Operating (loss)/profit		<u>(10,916)</u>	<u>721</u>
Finance costs	13	(4,075)	(6,957)
Foreign exchange loss, net	14	(4,957)	(10,862)
Loss before tax		<u>(19,948)</u>	<u>(17,098)</u>
Income tax benefit/(expense)	16	2,938	(4,437)
Loss for the year		<u>(17,010)</u>	<u>(21,535)</u>
Other comprehensive loss			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation to presentation currency		(15,130)	(39,667)
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of buildings	17	2,780	17,617
Income tax effect of revaluation	16	(500)	(3,171)
		<u>2,280</u>	<u>14,446</u>
Other comprehensive loss for the year, net of tax		<u>(12,850)</u>	<u>(25,221)</u>
Total comprehensive loss for the year, net of tax		<u>(29,860)</u>	<u>(46,756)</u>
Loss attributable to:			
Equity holders of the parent		(16,993)	(21,460)
Non-controlling interest		(17)	(75)
		<u>(17,010)</u>	<u>(21,535)</u>
Total comprehensive loss attributable to:			
Equity holders of the parent		(29,661)	(46,844)
Non-controlling interest		(199)	88
		<u>(29,860)</u>	<u>(46,756)</u>
Weighted average basic and diluted number of shares (in thousands of shares)	24	51,084	51,084
Basic and diluted loss per share (in US dollars)		(0.33)	(0.42)

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of financial position**as at 31 December 2015***(in thousands of US dollars, unless otherwise indicated)*

	Notes	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	17	30,265	50,848
Intangible assets		69	148
Investment properties	18	28,913	37,210
Property development rights	19	4,863	11,238
		<u>64,110</u>	<u>99,444</u>
Current assets			
Inventories	20	55,306	93,842
Receivable under the investment agreement	21	5,558	-
Trade and other receivables	22	703	18,279
Prepayments	23	5,354	9,079
Taxes recoverable, other than income tax		57	161
Cash and cash equivalents		85	211
Assets classified as held for sale	30	2,953	-
		<u>70,016</u>	<u>121,572</u>
TOTAL ASSETS		<u>134,126</u>	<u>221,016</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	24	510	510
Share premium		99,191	99,191
Additional paid-in capital		15,450	15,450
Revaluation reserve		81,660	79,469
Accumulated deficit		(49,023)	(32,119)
Translation reserve		(124,910)	(109,962)
Equity attributable to equity holders of the parent		<u>22,878</u>	<u>52,539</u>
Non-controlling interests		332	531
Total equity		<u>23,210</u>	<u>53,070</u>
Non-current liabilities			
Interest-bearing loans and borrowings	25	215	41,898
Deferred tax liability	16	5,168	11,681
		<u>5,383</u>	<u>53,579</u>
Current liabilities			
Trade and other payables	26	7,664	20,189
Interest-bearing loans and borrowings	25	58,731	49,901
Finance lease liability		38	492
Advances received	27	34,680	35,695
Income tax payable		137	262
Taxes payable, other than income tax	28	341	3,270
Provisions	29	3,585	4,558
Liabilities classified as held for sale	30	357	-
		<u>105,533</u>	<u>114,367</u>
TOTAL LIABILITIES		<u>110,916</u>	<u>167,946</u>
TOTAL EQUITY AND LIABILITIES		<u>134,126</u>	<u>221,016</u>

Signed and authorised for release on behalf of TMM Real Estate Development plc on 30 June 2016:

Director



Mykola Tolmachov

Director



Larysa Chyvurina

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of changes in equity
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the parent						Total	Non-controlling interest	Total equity
	Share Capital	Share premium	Additional paid-in capital	Revaluation reserve	Accumulated deficit	Translation reserve			
Balance at 1 January 2014	510	99,191	15,450	65,313	(10,962)	(70,295)	99,207	443	99,650
Loss for the year	-	-	-	-	(21,460)	-	(21,460)	(75)	(21,535)
Exchange differences on translation to presentation currency	-	-	-	-	-	(39,667)	(39,667)	163	(39,504)
Revaluation of freehold buildings	-	-	-	14,283	-	-	14,283	-	14,283
Total comprehensive income/(loss) for the year	-	-	-	14,283	(21,460)	(39,667)	(46,844)	88	(46,756)
Transfer of revaluation reserve, net of taxes	-	-	-	(127)	127	-	-	-	-
Liquidation of an associate	-	-	-	-	176	-	176	-	176
Balance at 31 December 2014	510	99,191	15,450	79,469	(32,119)	(109,962)	52,539	531	53,070
Loss for the year	-	-	-	-	(16,993)	-	(16,993)	(17)	(17,010)
Exchange differences on translation to presentation currency	-	-	-	-	-	(14,948)	(14,948)	(182)	(15,130)
Revaluation of freehold buildings	-	-	-	2,280	-	-	2,280	-	2,280
Total comprehensive income/(loss) for the year	-	-	-	2,280	(16,993)	(14,948)	(29,661)	(199)	(29,860)
Transfer of revaluation reserve, net of taxes	-	-	-	(89)	89	-	-	-	-
Balance at 31 December 2015	510	99,191	15,450	81,660	(49,023)	(124,910)	22,878	332	23,210

The accompanying notes form an integral part of the consolidated financial statements

Consolidated cash flow statement
for the year ended 31 December 2015
(in thousands of US dollars, unless otherwise indicated)

	Notes	<u>2015</u>	<u>2014</u>
Operating activities			
Loss before tax		(19,948)	(17,098)
Non-cash adjustments to reconcile loss before tax to net cash flows			
Revaluation of investment properties	18	(4,884)	(17,325)
Depreciation and amortization		659	765
Gain on release of provision for tax risks	9	(1,886)	-
Impairment of property, plant and equipment	12	2,395	466
Impairment of property development rights	12	3,555	6,408
Gain on disposal of property, plant and equipment and investment properties	9	(48)	(58)
Gain on extinguishment of liabilities	9	(19)	(83)
Movements in provisions	12	881	5,636
Impairment of trade and other receivables and prepayments	12	11,184	1,221
Gain on reversal of inventory write-down to net realisable value	9	(1,198)	-
Finance costs	13	4,075	6,957
Unrealised foreign exchange loss and other non-cash movements		<u>5,321</u>	<u>17,439</u>
		87	4,328
Working capital adjustments			
Change in inventories		1,342	13,170
Change in trade and other receivables		2,672	(9,467)
Change in prepayments		78	(2,164)
Change in taxes recoverable, other than income tax		54	(13)
Change in trade and other payables and provisions		(6,034)	(402)
Change in advances received		12,827	9,593
Change in taxes payable, other than income tax		<u>(76)</u>	<u>2,568</u>
		10,950	17,613
Interest paid		(3,267)	(6,212)
Income taxes paid		(1)	-
Net cash flows from operating activities		<u>7,682</u>	<u>11,401</u>
Investing activities			
Proceeds from sale of property, plant and equipment and investment properties		174	1,447
Purchase of property, plant and equipment		<u>(219)</u>	<u>(1,038)</u>
Net cash flows (used in) / from investing activities		<u>(45)</u>	<u>409</u>
Financing activities			
Proceeds from loans		215	4,233
Repayment of loans		(7,735)	(16,751)
Repayment of finance lease liabilities		(176)	(618)
Net cash flows used in financing activities		<u>(7,696)</u>	<u>(13,136)</u>
Net decrease in cash and cash equivalents		(59)	(1,326)
Effect of foreign exchange on cash and cash equivalents		(67)	(846)
Cash and cash equivalents at 1 January		<u>211</u>	<u>2,383</u>
Cash and cash equivalents at 31 December		<u>85</u>	<u>211</u>

The accompanying notes form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***1. Corporate information**

These 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 Volodymyrska street, Kyiv, Ukraine 01001.

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 and provision of utility services in Ukraine (mainly Kyiv and Kharkiv regions).

The list of the subsidiaries and the Company's effective ownership interest as at 31 December is disclosed below.

<i>Name</i>	<i>Principal activities</i>	<i>2015</i>	<i>2014</i>
Subsidiaries:			
	Construction, development and provision of utility services		
Company "T.M.M." Ltd		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%
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 "Ukrckorteploizolyaciya"	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%

As at 31 December 2015 all subsidiaries are incorporated in Ukraine.

In 2015, as a result of events described in Note 2(a), the Group lost control over subsidiary LLC "Tavrida-Plaza", located in Crimea region of Ukraine, and derecognised all assets and liabilities connected with this subsidiary. The disposal of this subsidiary did not have material effect on the consolidated financial statements.

In 2015 the Group decided to sell its shares in subsidiary JSC "Ukrckorteploizolyaciya" in order to settle a liability to a counterparty. As at the date of these consolidated financial statements the sale arrangement was not completed (Note 30).

The Group is ultimately controlled by Mr. Mykola Tolmachov.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

2. Operating environment, risks and economic conditions

(a) Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest, which started in November 2013, in March 2014 various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these consolidated financial statements. As a result of this conflict, 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.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

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 - 2015 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.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

As at 31 December 2015, the carrying value of the Group's property located in Yalta, the city of the Republic of Crimea, amounted to USD 5,587 thousand (2014: USD 7,587 thousand). The ultimate effect of these developments in the Republic of Crimea on the Group's ability to continue operations in this region, to realise its related assets and to maintain and secure its ownership rights cannot yet be determined.

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

(b) Cyprus business environment

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance, which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a "bail in".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

2. Operating environment, risks and economic conditions (continued)

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7.25 of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-programme visits until it repays 75% of the economic assistance it received.

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

3. Basis of preparation

Statement of compliance

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

Basis of measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment property and freehold buildings stated at fair value as determined by independent appraisal.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Normal operating cycle of the Group's property development segment approximates to 36 months; normal operating cycle of the Group's investment property segment equals to 12 months and is classified accordingly.

Interest-bearing loans and borrowings and finance lease liabilities are not part of the working capital used in the Group's normal operating cycle. Interest-bearing loans and borrowings and finance lease liability are classified as current when they are due to be settled within twelve months after the reporting date.

Going concern

During the year ended 31 December 2015 the Group reported a net loss of USD 17,010 thousand (2014: USD 21,535 thousand). Additionally, as at 31 December 2015 the Group's current liabilities exceeded its current assets by USD 35,517 thousand. The negative financial results are mainly caused by depreciation of UAH against major foreign currencies (Note 2), impairment losses occurred on trade and other receivables (Note 22) 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 58,731 thousand of interest-bearing loans and borrowings which fall due in 2016.

In December of 2015 the Group commenced negotiations with one of its lenders seeking to extend the repayment of debt due in December 2015. As a result of these negotiations, the settlement of the outstanding balance of USD 21,824 thousand was postponed till 28 September 2016 (Note 35). Also management believes that the Group will further be able to postpone the repayment of the loans due to this lender should this be required for operational and other needs of the Group. In April 2016, another lender of the Group demanded early repayment of the loan balances due in the amount of USD 16,875 thousand, including penalties, via foreclosure of the collateral (Note 35). The Group is going to agree the final list of pledged property in the process of court hearings that would be given to the lender as a settlement of the required loan balance. As of the date that these consolidated financial statements are authorized for issue, the court hearings are in progress and the results are uncertain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Basis of preparation (continued)

The Group's financial plan for 2016 anticipates growth in cash inflows from property sales and construction services as compared to 2015. To achieve the increase in positive cash inflow from its operations in 2016 the Group plans the following:

- to sell completed property which is already completed and property under development on a pre-payment basis;
- extend repayment of the principal and interest due to one of its lenders in 2016 of USD 40,515 thousand to 2017-2019;
- participate in tenders for rendering of construction services;
- to sell investment properties and property rights.

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 2016.

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 loans which falls due in 2016.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and the statement of profit or loss and comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(in thousands of US dollars, unless otherwise indicated)

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances.

Judgments other than estimates

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises buildings (principally offices, commercial warehouses and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

The Group's business model - i.e. the entity's intentions regarding that property - is the primary criterion to consider in determining whether classification as investment property is appropriate.

Operating lease contracts – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as for operating leases.

Revenue recognition – sales of completed inventory property

The Group recognises revenue on sale of completed inventory property when the significant risks and rewards of ownership have been transferred to the buyer, which is usually when the customer has accepted the property and received physical access to the property, recovery of the consideration is probable, the associated costs and possible return of property can be estimated reliably, and there is no continuing management involvement with the property, and the amount of revenue can be measured reliably. The Group exercises significant judgment in determination of the date of transfer of risks and rewards of ownership.

Revenue recognition – sale of inventory property under development "Laborotornyj provulok" to a third party

In December 2015 the Group sold inventory property under development "Laborotornyj provulok" to a third party in exchange for 28% of constructed premises to be completed in 2017 (Note 21). The transaction was considered as sale in exchange for dissimilar goods. Revenue was measured at the fair value of the goods given up that approximated the costs incurred up to the date of sale.

Going concern

Please refer to Note 3.

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for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

4. Significant accounting judgments, estimates and assumptions (continued)

Estimates

Estimation of net realizable value for inventory

Inventory is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

Allowance for doubtful accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Valuations of freehold buildings and investment properties

Freehold buildings and investment properties are stated at fair value as at the reporting date. The fair value of freehold buildings and investment properties is determined by independent real estate valuation experts. Freehold buildings and investment properties are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Besides, in arriving at their estimates of market values as at 31 December 2015 and 2014, the valuers have also used their market knowledge and professional judgement. Valuation of freehold buildings and investment properties is within level 2 of the fair value hierarchy.

Weak liquidity and the poor conditions prevailing in the Ukrainian property market (Note 2) may impose objective limitation on the indicativeness of the market quotes used as source data for valuation as at 31 December 2015 and 2014. The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of freehold buildings and investment properties in the short-term.

Taxes

Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of the management. As a result, tax authorities may challenge transactions and the Group's entities may be levied additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As at 31 December 2015 and 2014 the management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. More details are provided in Note 32.

Useful lives of the freehold buildings

The Group's freehold buildings are stated at revalued cost less accumulated depreciation and any impairment losses. These buildings are depreciated over their estimated useful lives to their estimated residual values. The Group exercises significant judgment in determination of the estimated useful lives of the freehold buildings. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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5. Summary of significant accounting policies

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

Functional and presentation currencies

The Group's presentation currency and the functional currency of the parent company is the US dollar ("USD"). The functional currency of the Company's Ukrainian subsidiaries is UAH.

At each reporting date, the assets and liabilities of each company are translated into the Group's presentation currency at the rate of exchange at the reporting date. The revenues and expenses for the year or, if shorter, the period of each company participation in the Group are translated at the foreign exchange rates which approximate the date of transaction.

The difference arising on retranslation from each of the companies' functional currencies into the Group's presentation currency is shown as a currency translation difference in OCI. The translation of the UAH denominated assets and liabilities into USD as at 31 December 2015 and 2014 does not indicate that the Group could realize or settle the translated values of those assets and liabilities in USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***5. Summary of significant accounting policies (continued)**

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against the Ukrainian hryvnia ("UAH"), as declared by the National Bank of Ukraine ("NBU") as at the dates stated, were as follows:

	<u>USD</u>	<u>EUR</u>
31 December 2014	15.77	19.23
Average for 2015	21.84	24.21
31 December 2015	24.00	26.22

As at the date that these financial statements are authorised for issue, 30 June 2016, the exchange rates are UAH 24.85 to USD 1.00 and UAH 27.56 to EUR 1.00.

Foreign currency translation

Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the reporting date. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in profit or loss for the period.

Fair value measurement

The Group measures regularly non-financial assets such as freehold buildings and investment properties at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents and trade and other receivables, all classified as "loans and receivables".

The Group has not designated any financial assets at fair value through profit or loss, as held-to-maturity or available-for-sale during the year ended 31 December 2015 and 2014.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. Change in allowance for doubtful debts is recognized within other operating expenses.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of profit or loss and comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs.

The Group's financial liabilities include interest-bearing loans and borrowings, obligations under finance leases and trade and other payables, all classified as "other financial liabilities".

Subsequent measurement of loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the statement of profit or loss and comprehensive income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of plant and equipment.

Freehold buildings

Freehold buildings are measured at revalued amount, representing fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss for the period, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss for the period, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve in equity.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Freehold land

For the purpose of further constructions of owner-occupied premises the Group acquired certain land plots in the Kyiv region. Freehold land is measured at cost less impairment losses. Land is not depreciated. Certain companies of the Group have the right to the permanent use of the land on which they are located or are leasing land under long-term lease agreements from local state authorities. This land is the property of the state and, therefore, is not included in the consolidated financial statements.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Construction in progress includes cost of construction works, cost of engineering works, other direct costs and an appropriate proportion of production overheads. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use. Construction in progress is stated at cost less impairment.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

Depreciation

Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the asset, as follows:

• Freehold buildings	50 years
• Heavy construction equipment	20 years
• Production, construction and research equipment	8 years
• Vehicles	6 years
• Office and computer equipment	4 years

The useful life of an asset is defined in terms of the asset's expected utility to the Group and is reassessed at each reporting date.

Intangible assets

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets, other than goodwill, primarily comprise computer software, which is amortised on a straight-line basis over the estimated useful life of five years.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property are recognised in profit or loss in the period of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property development rights

Property development rights represent the rights owned by the Group to lease land plots to be used for further development. Property development rights are stated at cost, being expenses directly attributable to acquisition of such right, less provisions for impairment, where required. Property development rights are not depreciated. Upon the start of development, property development rights are transferred at carrying value to inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred taxes, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

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

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

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

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

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials

The cost of raw materials is based on the weighted average method principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Completed and under development inventory property

Completed and under development inventory property is property acquired or being constructed for sale in the ordinary course of business, rather than being held for rental or capital appreciation. Completed and under development inventory property are stated at cost based on the individual cost method. Cost includes:

- freehold and leasehold rights for land;
- planning and design costs, costs of site preparation;
- cost of raw materials;
- labour costs and amounts paid to subcontractors for construction;
- construction overheads allocated proportionately to the stage of completion of the inventory based on normal operating capacity;
- borrowing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

The cost of completed and under development inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on inventories sold and an allocation of any non-specific costs based on the relative size of the property sold.

Share capital

The Company's share capital is stated at the nominal amount of the issued shares. The difference between the fair value of the consideration received and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of completed inventory property and other goods

Revenues from the sale of completed inventory property are measured at the fair value of the consideration received or receivable, net of allowances and trade discounts, if any. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is usually when the customer has accepted the property and received physical access to the property, recovery of the consideration is probable, the associated costs and possible return of property can be estimated reliably, and there is no continuing management involvement with the property, and the amount of revenue can be measured reliably.

Revenue from the sale of real estate property is recognized when construction is complete and the property is transferred to the customer.

Sales are recognised at prices valid at the date of concluding the sales contract, which may be significantly different from the prices as at the date when the sale is recognised.

Rendering of services

Revenue from the rendering of services is recognised when services are rendered. Revenue from provision of utility services under arrangements where the Group acts as an agent is recognised on a net basis, and on a gross basis where the Group acts as principal.

Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognised in profit or loss for the period when they arise.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

5. Summary of significant accounting policies (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Income, expenses and assets are recognised net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed on the face of the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

6. New standards and interpretations not yet adopted

Standards and Interpretations adopted by the EU, but not yet effective

- *IAS 27 (Amendments) Equity method in separate financial statements* (effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group does not intend to adopt this standard early.
- *IAS 1 (Amendments): Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016). The amendments introduce changes in various areas. In relation to materiality the amendments clarify that information should not be obscured by aggregating or by providing immaterial information, that materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. In relation to the statement of financial position and statement of profit or loss and other comprehensive income, the amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and provide additional guidance on subtotals in these statements. They also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss. In relation to the notes to the financial statements the amendments add additional guidance of ordering the notes so as to clarify that understandability and comparability should be considered when determining the order of the notes in order to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The Group does not intend to adopt this standard early.
- *Annual Improvements to IFRSs 2012–2014 Cycle* (effective for annual periods beginning on or after 1 January 2016). The amendments impact four standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from 'held for sale' to 'held for distribution' or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of 'information disclosed elsewhere in the interim financial report'. The Group does not intend to adopt this standard early.
- *IAS 16 and IAS 38 (Amendments) Clarification of acceptable methods of depreciation and amortisation* (effective for annual periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. However, in relation to intangible assets, the IASB stated that there are limited circumstances when the presumption can be overcome. This is applicable when the intangible asset is expressed as a measure of revenue and it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated. The Group does not intend to adopt this standard early.
- *IFRS 11 (Amendments) Accounting for acquisitions of interests in Joint Operations (Amendments)* (effective for annual periods beginning on or after 1 January 2016). This amends IFRS 11 such that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles of business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The Group does not intend to adopt this standard early.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of US dollars, unless otherwise indicated)

6. New standards and interpretations not yet adopted (continued)

- *IAS 16 and IAS 41 (Amendments) Bearer plants* (effective for annual periods beginning on or after 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The Group does not intend to adopt this standard early.

Standards and Interpretations not adopted by the EU

- *IFRS 14 Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016). IFRS 14 is expected to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. IFRS 14 will permit an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Group does not intend to adopt this standard early.
- *IFRS 10, IFRS 12 and IAS 28 (Amendments) Investment Entities: Applying the Consolidation Exception* (effective for annual periods beginning on or after 1 January 2016). The amendments will address issues that arose in the context of applying the consolidation exception for investment entities. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. In addition, it clarifies that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. Furthermore it is clarified that when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. Finally, it confirmed that an investment entity measuring all of its subsidiaries at fair value is required to provide disclosures relating to investment entities as required by IFRS 12. The Group does not intend to adopt this standard early.
- *IAS 7 (Amendments) Disclosure Initiative* (effective for annual accounting periods beginning on or after 1 January 2017). The amendments are intended to clarify IAS 7 and improve information provided to users for an entity's financing activities. The amendments will require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of changes in foreign exchange rates; (d) changes in fair values; and (e) other changes. The Group does not intend to adopt this standard early.
- *IAS 12 (Amendments) Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual accounting periods beginning on or after 1 January 2017). The amendments will give clarifications in relation to the recognition of a deferred tax asset that is related to a debt instrument measured at fair value. Additionally, it clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. Finally, it clarifies that an entity assesses a deferred tax asset in combination with other deferred tax assets. Finally, where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The Group does not intend to adopt this standard early.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***6. New standards and interpretations not yet adopted (continued)**

- *IFRS 15 Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The Group does not intend to adopt this standard early.
- *IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces the existing guidance in IAS 39. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group does not intend to adopt this standard early.
- *IFRS 16 Leases* (effective for annual periods beginning on or after 1 January 2019). IFRS 16 will supersede IAS 17 and related interpretations. The new standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however will remain largely unchanged and the distinction between operating and finance leases is retained. The Group does not intend to adopt this standard early.

Management is currently studying what effect these new statements and amendments may have on the separate financial position and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***7. Revenue**

Revenue comprised:

	<u>2015</u>	<u>2014</u>
Sales of completed inventory property	5,321	18,619
Utility services income	2,410	3,209
Rental income from investment properties (Note 18)	1,139	1,761
Construction and transportation services	301	7,969
Other services	457	1,050
	<u>9,628</u>	<u>32,608</u>

8. Cost of revenue

Cost of revenue comprised:

	<u>2015</u>	<u>2014</u>
Cost of completed inventory property sold	3,665	16,669
Utility services cost	2,464	4,066
Construction and transportation services	804	7,533
Other services	504	1,690
	<u>7,437</u>	<u>29,958</u>

Wages and salaries and social security taxes included in cost of revenue for year ended 31 December 2015 amounted to USD 488 thousand and USD 178 thousand, respectively (2014: USD 1,965 thousand and USD 715 thousand, respectively).

Depreciation included in cost of revenue for the year ended 31 December 2015 amounted to USD 600 thousand (2014: USD 652 thousand) (Note 17).

9. Other operating income

Other operating income comprised:

	<u>2015</u>	<u>2014</u>
Gain from release of provision for tax risks (Note 28)	1,886	-
Reversal of inventory write-down to net realisable value (Note 20)	1,198	-
Gain from settlement of previously written off receivables	74	-
Gain on disposal of property, plant and equipment and investment properties, net	48	58
Gain on extinguishment of liabilities	19	83
Gain on sale of miscellaneous goods and services	4	174
Other	177	234
	<u>3,406</u>	<u>549</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***10. General and administrative expenses**

General and administrative expenses comprised:

	<u>2015</u>	<u>2014</u>
Wages and salaries	505	1,081
Professional services	478	471
Social security taxes	132	300
Taxes, other than income tax	85	106
Bank charges	43	117
Insurance	41	70
Communication costs	39	63
Depreciation (Note 17)	25	113
Materials	17	55
Other	240	258
	<u>1,605</u>	<u>2,634</u>

11. Selling and distribution expenses

Selling and distribution expenses comprised:

	<u>2015</u>	<u>2014</u>
Advertising	125	290
Wages and salaries	51	130
Social security taxes	19	41
Other	31	50
	<u>226</u>	<u>511</u>

12. Other operating expenses

Other operating expenses comprised:

	<u>2015</u>	<u>2014</u>
Change in allowance for doubtful debts and prepayments	11,184	1,221
Impairment of property development rights (Note 19)	3,555	6,408
Impairment of property, plant and equipment (Note 17)	2,395	466
Change in provisions	881	5,636
Post-construction costs on inventory property	732	1,049
Inventory write-down to net realisable value	-	1,360
Other	819	518
	<u>19,566</u>	<u>16,658</u>

During the year ended 31 December 2015, the change in allowance for doubtful debts and prepayments in the amount of USD 11,184 thousand included impairment of receivables from sale of shares of a former subsidiary company in amount of USD 10,000 thousand (Note 22 and 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***13. Finance costs**

Finance costs comprised:

	<u>2015</u>	<u>2014</u>
Interest costs	3,993	6,957
Finance lease charges	82	-
	<u>4,075</u>	<u>6,957</u>

14. Foreign exchange loss, net

Foreign exchange loss, net comprised:

	<u>2015</u>	<u>2014</u>
Foreign exchange loss on loans and borrowings and finance lease liability	(5,246)	(10,837)
Foreign exchange gain/(loss) on cash and currency purchase / sale	85	(13)
Foreign exchange gain/ (loss) on trade and other payables	204	(12)
	<u>(4,957)</u>	<u>(10,862)</u>

15. 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.

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, selling and distribution expenses and share in losses of associates.

Information regarding segment assets and liabilities is not provided to the Board of Directors and therefore is not included in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***15. Operating segment information (continued)**

The Group's segmental information was as follows:

As at 31 December 2015	<i>Investment property</i>	<i>Property development and construction</i>	<i>Utility services and other</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>All other segments</i>	<i>Consolidated</i>
Revenue							
External customers	1,139	5,622	2,867	9,628	-	-	9,628
Inter-segment	15	26	214	255	(255)	-	-
Total revenue	1,154	5,648	3,081	9,883	(255)	-	9,628
Results							
Depreciation and amortisation	-	(659)	-	(659)	-	-	(659)
Change in fair value of investment properties	4,884	-	-	4,884	-	-	4,884
Selling and distribution expenses	(30)	(196)	-	(226)	-	-	(226)
Segment results	6,008	983	113	7,104	(255)	(22,722)	(19,948)
Capital expenditure	-	-	-	-	-	219	219
As at 31 December 2014							
Revenue							
External customers	1,761	26,588	4,284	32,633	(25)	-	32,608
Inter-segment	-	-	95	95	(95)	-	-
Total revenue	1,761	26,588	4,379	32,728	(120)	-	32,608
Results							
Depreciation and amortisation	-	(765)	-	(765)	-	-	(765)
Change in fair value of investment properties	17,325	-	-	17,325	-	-	17,325
Selling and distribution expenses	(50)	(461)	-	(511)	-	-	(511)
Segment results	19,036	1,925	(1,402)	19,559	(95)	(36,562)	(17,098)
Other disclosures							
Capital expenditure	-	81	-	81	-	957	1,038

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

Inter-segment revenues are eliminated on consolidation.

In 2015, the Group recognised impairment charge in respect of a certain workshop building and related construction in progress, that relate to other operating segments, in the total amount of USD 2,395 thousand (2014: nil) (Note 12).

In 2015 interest expense in amount of USD 4,075 thousand was allocated to other operating segments.

The Group has no customers making more than 10% of the Group's revenues.

Capital expenditure consists of additions to property, plant and equipment, investment properties and property development rights. Capital expenditure not reportable to the Board on a segment basis comprises additions to freehold buildings, vehicles, office and computer equipment and construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***15. Operating segment information (continued)***Reconciliation of profit or loss*

	<u>2015</u>	<u>2014</u>
Segment results	7,104	19,559
General and administrative expenses	(1,605)	(2,634)
Other operating expenses	(19,566)	(16,658)
Other operating income	3,406	549
Finance costs	(4,075)	(6,957)
Foreign exchange loss, net	(4,957)	(10,862)
Inter-segment eliminations	(255)	(95)
Consolidated loss before tax	<u>(19,948)</u>	<u>(17,098)</u>

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

16. Income tax

The major components of income tax expense are:

Profit or loss

	<u>2015</u>	<u>2014</u>
Current income tax charge	-	324
Deferred tax relating to reversal and origination of temporary differences	(2,938)	4,113
Income tax (benefit) / expense reported in profit or loss	<u>(2,938)</u>	<u>4,437</u>

Other comprehensive income

	<u>2015</u>	<u>2014</u>
Deferred tax related to items charged or credited directly to other comprehensive income during the year:		
Gain on revaluation of freehold buildings	500	3,171
Income tax expense charged directly to other comprehensive income	<u>500</u>	<u>3,171</u>

A reconciliation between the income tax (benefit) / expense reported in the consolidated financial statements and the loss before taxes multiplied by the applicable domestic tax rates for the years ended 31 December 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Loss before tax	(19,948)	(17,098)
At the Company's statutory income tax rate of 12.5%	(2,494)	(2,137)
Effect of the change in income tax rate	-	3,551
Tax effect of expenses non-deductible in determining taxable profits	1,097	3,964
Change in unrecognised deferred tax assets	(1,071)	-
Effect of higher tax rates in Ukraine	(470)	(941)
Income tax expense / (benefit) reported in profit or loss	<u>(2,938)</u>	<u>4,437</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***16. Income tax (continued)**

Deferred tax assets and liabilities relate to the following items in 2015:

	1 January 2015	Charged to profit or loss	Charged to OCI	Foreign currency translation	31 December 2015
<i>Tax effect of taxable temporary differences:</i>					
Property, plant and equipment and investment properties	(12,804)	(362)	(500)	4,423	(9,243)
Inventories	(756)	546	-	210	-
Advances received	-	(27)	-	2	(25)
Gross deferred tax liabilities	<u>(13,560)</u>	<u>157</u>	<u>(500)</u>	<u>4,635</u>	<u>(9,268)</u>
Less: Offsetting with deferred tax assets	<u>1,879</u>				<u>3,768</u>
Recognised deferred tax liabilities	<u><u>(11,681)</u></u>				<u><u>(5,500)</u></u>
<i>Tax effect of deductible temporary differences:</i>					
Advances received	318	(79)	-	(102)	137
Prepayments made	58	-	-	(20)	38
Inventories	598	(281)	-	(176)	141
Trade and other receivables	267	(3)	-	(92)	172
Property, plant and equipment and investment properties	323	-	-	(111)	212
Trade and other payables	315	-	-	(108)	207
Property development rights	-	469	-	(42)	427
Provisions	-	363	-	(33)	330
Taxes recoverable, other than income tax	-	11	-	(1)	10
Obligations under finance leases	-	17	-	(2)	15
Tax losses carried forward	-	2,284	-	(205)	2,079
	<u>1,879</u>	<u>2,781</u>	<u>-</u>	<u>(892)</u>	<u>3,768</u>
Less: Offsetting with deferred tax liabilities	<u>(1,879)</u>				<u>(3,768)</u>
Net deferred tax liability	<u><u>(11,681)</u></u>	<u><u>2,938</u></u>	<u><u>(500)</u></u>	<u><u>3,743</u></u>	<u><u>(5,500)</u></u>

Deferred tax liability in amount of USD 332 thousand has been presented as "Liabilities classified as held for sale".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***16. Income tax (continued)**

Deferred tax assets and liabilities relate to the following items in 2014:

	1 January 2014	Charged to profit or loss	Charged to OCI	Foreign currency translation	31 December 2014
<i>Tax effect of taxable temporary differences:</i>					
Property, plant and equipment and investment properties	(11,320)	(5,941)	(3,171)	7,628	(12,804)
Inventories	(6,552)	3,411	-	2,385	(756)
Gross deferred tax liabilities	(17,872)	(2,530)	(3,171)	10,013	(13,560)
Less: Offsetting with deferred tax assets	6,070				1,879
Recognised deferred tax liabilities	(11,802)				(11,681)
<i>Tax effect of deductible temporary differences:</i>					
Prepayments received	1,033	(263)	-	(452)	318
Prepayments made	115	-	-	(57)	58
Investments	225	(152)	-	(73)	-
Inventories	1,804	(421)	-	(785)	598
Trade and other receivables	443	56	-	(232)	267
Interest-bearing loans and borrowings	1,537	(1,036)	-	(501)	-
Property, plant and equipment and investment properties	513	84	-	(274)	323
Trade and other payables	400	149	-	(234)	315
Less: Offsetting with deferred tax liabilities	6,070	(1,583)	-	(2,608)	1,879
	(6,070)				(1,879)
Net deferred tax liability	(11,802)	(4,113)	(3,171)	7,405	(11,681)

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for the year ended 31 December 2015

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17. Property, plant and equipment

	<u>Freehold land</u>	<u>Freehold buildings</u>	<u>Heavy construction equipment</u>	<u>Production, construction and research equipment</u>	<u>Vehicles</u>	<u>Office and computer equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<i>Cost or fair value:</i>								
At 1 January 2015	4,103	37,972	2,888	3,644	1,115	1,025	5,912	56,659
Additions	-	47	-	-	-	-	172	219
Disposals	-	(117)	(3)	(271)	(67)	(38)	-	(496)
Transfers to inventories	-	-	(19)	-	-	-	-	(19)
Transfer to assets held for sale (Note 30)	-	(2,068)	-	(361)	(3)	(51)	(685)	(3,168)
Other transfers	-	487	19	391	-	35	(932)	-
Revaluations	-	2,320	-	-	-	-	-	2,320
Impairment	-	-	-	-	-	-	(2,395)	(2,395)
Deconsolidation of subsidiary	-	-	-	-	-	-	(55)	(55)
Translation difference	(1,388)	(13,037)	(1,016)	(1,267)	(380)	(357)	(1,771)	(19,216)
At 31 December 2015	2,715	25,604	1,869	2,136	665	614	246	33,849
<i>Accumulated depreciation:</i>								
At 1 January 2015	-	(9)	(1,204)	(2,516)	(1,097)	(935)	(50)	(5,811)
Depreciation charge for the year	-	(549)	(94)	(240)	(3)	(25)	-	(911)
Disposals	-	2	2	266	63	37	-	370
Transfer to assets held for sale (Note 30)	-	32	-	183	2	24	-	241
Revaluations	-	460	-	-	-	-	-	460
Translation difference	-	38	422	860	373	324	50	2,067
At 31 December 2015	-	(26)	(874)	(1,447)	(662)	(575)	-	(3,584)
<i>Net book value</i>								
At 1 January 2015	4,103	37,963	1,684	1,128	18	90	5,862	50,848
At 31 December 2015	2,715	25,578	995	689	3	39	246	30,265

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17. Property, plant and equipment (continued)

	<i>Freehold land</i>	<i>Freehold buildings</i>	<i>Heavy construction equipment</i>	<i>Production, construction and research equipment</i>	<i>Vehicles</i>	<i>Office and computer equipment</i>	<i>Construction in progress</i>	<i>Total</i>
<i>Cost or fair value:</i>								
At 1 January 2014	8,095	47,753	5,972	6,043	2,234	1,967	12,590	84,654
Additions	-	-	52	29	-	18	939	1,038
Disposals	-	-	(257)	(41)	(24)	(11)	(3)	(336)
Transfers to inventories	-	-	-	-	-	-	(421)	(421)
Other transfers	-	334	19	787	-	31	(1,171)	-
Revaluations	-	17,296	-	-	-	-	-	17,296
Translation difference	(3,992)	(27,411)	(2,898)	(3,174)	(1,095)	(980)	(6,022)	(45,572)
At 31 December 2014	4,103	37,972	2,888	3,644	1,115	1,025	5,912	56,659
<i>Accumulated depreciation:</i>								
At 1 January 2014	-	-	(2,269)	(4,450)	(1,947)	(1,791)	-	(10,457)
Depreciation charge for the year	-	(649)	(188)	(351)	(169)	(48)	-	(1,405)
Disposals	-	-	116	36	23	11	-	186
Revaluations	-	321	-	-	-	-	-	321
Impairment charge	-	(400)	-	-	-	-	(66)	(466)
Translation difference	-	719	1,137	2,249	996	893	16	6,010
At 31 December 2014	-	(9)	(1,204)	(2,516)	(1,097)	(935)	(50)	(5,811)
<i>Net book value</i>								
At 1 January 2014	8,095	47,753	3,703	1,593	287	176	12,590	74,197
At 31 December 2014	4,103	37,963	1,684	1,128	18	90	5,862	50,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***17. Property, plant and equipment (continued)**

As at 31 December 2015 and 2014 freehold land comprised the land to be used for the construction of owner-occupied premises and inventory property; freehold buildings included apartments, parking places and workshops used by the Group for own purposes.

Depreciation

The total depreciation charge for the years ended 31 December 2015 and 2014 was as follows:

	2015	2014
Cost of revenue (Note 8)	600	652
Inventories	283	640
General and administrative expenses (Note 10)	25	113
Other operating expenses	3	-
Total depreciation charge	911	1,405

Finance leases

The carrying value of heavy construction equipment held under finance leases at 31 December 2015 was USD 220 thousand (31 December 2014: USD 377 thousand). Leased assets under finance lease contracts are pledged as security for the related finance lease liabilities.

Pledged assets

As at 31 December 2015 freehold land and buildings with a carrying value of USD 22,821 thousand (31 December 2014: USD 30,229 thousand) were pledged as collateral with respect to the loans received (Note 25).

Fully depreciated assets

Included in property, plant and equipment as at 31 December 2015 are equipment recorded at a cost of USD 2,193 thousand (31 December 2014: USD 3,825 thousand), which are fully depreciated but remain in use.

Revaluation of freehold buildings

As at 31 December 2015, the Group engaged an independent appraiser to determine the fair value of its freehold buildings. Freehold buildings were valued using the market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. Key assumptions relate to the condition, quality and location of buildings used as comparatives. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property.

Net revaluation result (before income tax) for the year ended 31 December 2015 was gain of USD 2,780 thousand which was recognised in other comprehensive income.

If freehold buildings were measured using the cost model, the carrying amounts of freehold buildings would be USD 7,374 thousand as at 31 December 2015 (2014: USD 10,774 thousand).

In 2015, the Group recognised impairment charge in respect of a certain workshop building and related construction in progress in the total amount of USD 2,395 thousand (2014: nil) (Note 12).

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18. Investment properties

	<u>2015</u>	<u>2014</u>
At 1 January	37,210	49,511
Disposals	-	(1,239)
Change in fair value of investment properties	4,884	17,325
Translation difference	(13,181)	(28,387)
At 31 December	<u>28,913</u>	<u>37,210</u>

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

Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer as at 31 December 2015 and 2014. Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market quotes, adjusted for any difference in the nature, location or condition of the specific property.

Investment properties are presented as Level 2 of the fair value hierarchy.

As at 31 December 2015 investment properties with a carrying value of USD 21,145 thousand (31 December 2014: USD 27,591 thousand) were pledged as collateral with respect to the loans received (Note 25).

During 2015, investment property rentals of USD 1,139 thousand (2014: USD 1,761 thousand) were included in revenue (Note 7).

19. 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>31 December 2015</u>	<u>31 December 2014</u>
Arabatska strilka	Kherson	Resort	1,401	2,109
Satellite Town	Kyiv	Residential	1,307	1,989
Moskovskyj	Kharkiv	Residential	1,363	1,469
Bereznevyj	Kyiv	Residential	423	631
Korchagintsiv	Kharkiv	Residential	214	270
Tisa	Carpathians	Resort	105	160
Lubyanka	Kyiv	Land plots	50	76
Uborevicha	Kyiv	Commercial	-	305
Parkove	Yalta	Resort	-	1,087
Dytyachoi Komuny	Zhytomyr	Residential	-	157
Other	Kyiv, Kharkiv	Various	-	2,985
			<u>4,863</u>	<u>11,238</u>

In 2015, the impairment loss of USD 3,555 thousand (2014: USD 6,408 thousand) represents write-off of several property development rights that the Company does not intend to develop further (Note 12).

In 2014, property development rights of USD 1,704 thousand were transferred to inventories. In 2015 there were no such transfers.

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20. Inventories

Inventories consisted of the following:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Completed inventory property	36,508	60,125
Inventory property under development	12,694	25,998
Raw materials	2,200	3,891
Goods for resale	3,704	3,395
Other inventories	200	433
	<u>55,306</u>	<u>93,842</u>

Inventory property under development as at 31 December was as follows (by projects):

<u>Name of the project</u>	<u>Location of the project</u>	<u>Type of the project</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Sonyachna brama	Kyiv	Mainly residential	11,568	15,769
Laborotornyj provulok	Kyiv	Residential	-	6,855
Other	Various	Residential	1,126	3,374
			<u>12,694</u>	<u>25,998</u>

During 2015 borrowing costs of USD 341 thousand (2014: USD 4,396 thousand) were capitalised into inventory property under development. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 10% (2014: 10%).

At 31 December 2015, inventories with a carrying amount of USD 12,694 thousand (2014: USD 25,998 thousand) are expected to be realised after more than 12 months, but have been classified as current because they are expected to be realised in the normal operating cycle (Note 3).

Completed inventory property as at 31 December was as follows (by projects):

<u>Name of the project</u>	<u>Location of the project</u>	<u>Type of the project</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Sonyachna brama	Kyiv	Residential	27,528	44,253
Ultra	Kharkiv	Residential	3,263	5,872
Green Town	Kharkiv	Residential	2,902	4,569
Kaskad	Kharkiv	Residential	958	1,458
Edelweiss	Kharkiv	Residential	618	940
Triumph	Kyiv	Residential	369	679
Karat	Kharkiv	Residential	261	627
Aviator	Kyiv	Residential	191	531
Flamingo	Kharkiv	Residential	131	199
Chaadaeva 2	Kyiv	Residential	72	109
Atoll	Kharkiv	Residential	4	6
Other	Various	Various	211	882
			<u>36,508</u>	<u>60,125</u>

As at 31 December 2015 completed inventory property with a carrying value of USD 13,856 thousand (31 December 2014: USD 46,246 thousand) was pledged as collateral with respect to loans (Note 25).

The amount of reversal of write-down of raw materials and other inventories, recorded in prior periods, is recognised as other operating income in 2015 in the amount of USD 1,198 thousand (Note 9) (2014: write-down for USD 1,360 thousand, recognised in other operating expense) (Note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***21. Receivable under the investment agreement**

In December 2015 the Group sold inventory property under development "Laborotornyj provulok" to a third party in exchange for 28% of constructed premises to be completed in 2017. As at 31 December 2015 the Group recognised a receivable under the investment agreement in the amount of USD 5,558 thousand (2014: nil) representing a consideration of 28% of premises to be constructed.

The sale was considered as sale in exchange for dissimilar goods. Revenue was measured at the fair value of the asset given up that approximated costs incurred up to the date of sale and presented on the net basis in the consolidated statement of profit or loss and other comprehensive income as this transaction is not within the normal course of business of the Group.

22. Trade and other receivables

Trade and other receivables consisted of the following:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Receivables for shares of former subsidiary	10,000	10,000
Trade receivables	243	7,475
Notes receivable	240	390
Loans to employees	1,250	2,181
Other	<u>592</u>	<u>328</u>
	12,325	20,374
Less: Allowance for impairment	<u>(11,622)</u>	<u>(2,095)</u>
	<u>703</u>	<u>18,279</u>

Trade and other receivables are non-interest bearing and are repayable in the normal course of business.

Movements in the allowance for impairment of trade and other receivables were as follows:

	<u>2015</u>	<u>2014</u>
At 1 January	2,095	5,983
Charge for the year	10,927	434
Recovery of bad debts	(292)	(231)
Write-off	(365)	(1,412)
Translation difference	<u>(743)</u>	<u>(2,679)</u>
At 31 December	<u>11,622</u>	<u>2,095</u>

As at 31 December the ageing analysis of trade and other receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	61-90 days	91-120 days	>120 days
2015	703	-	703	-	-	-	-
2014	18,279	12,532	409	572	2,112	891	1,763

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 34.

Receivables for shares represent receivables from sale of shares of a former subsidiary company. As at 31 December 2015 these receivables have been impaired (Note 31).

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23. Prepayments

Prepayments consisted of the following:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Prepayments for construction materials and services	6,169	9,562
Less: Impairment	(815)	(483)
	<u>5,354</u>	<u>9,079</u>

24. Issued capital and reserves

Share capital

As at 31 December 2015 and 2014 the Group's issued and paid-in share capital comprised 51,084,235 ordinary shares with a par value of USD 0.01 each. As at 31 December 2015 and 2014 the Company's total authorised share capital comprised 100,000,000 shares.

Share premium

On 29 May 2007, the shares of TMM Real Estate Development plc were admitted for trading on the Frankfurt Stock Exchange. As a result of the offering, 6,792,165 shares were sold. The issue price was EUR 11.65 (USD 15.45). Total proceeds for sold shares and related transaction costs amounted to EUR 79,129 thousand (USD 104,939 thousand) and EUR 3,165 thousand (USD 4,198 thousand), respectively. Surplus of the issue proceeds less transaction costs over par value of issued additional ordinary shares represents share premium.

Additional paid-in capital

Additional paid-in capital is used to record additional contributions in kind made by the Company's shareholders.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of freehold buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements to presentation currency.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company.

The share premium, revaluation reserve and translation reserve are not distributable reserves by way of dividend.

Loss per share

The weighted average number of ordinary shares outstanding during the year is calculated as shown below. The Company has no dilutive potential shares.

<i>(in shares)</i>	<u>31 December 2015</u>	<u>31 December 2014</u>
Issued shares as at 1 January	51,084,235	51,084,235
Weighted average number of shares for the year	<u>51,084,235</u>	<u>51,084,235</u>

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25. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings consisted of the following:

	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
<i>Current</i>		
Bank loans	57,377	48,390
Supplier credits	<u>1,354</u>	<u>1,511</u>
	<u>58,731</u>	<u>49,901</u>
<i>Non-current</i>		
Bank loans	-	41,898
Supplier credits	<u>215</u>	<u>-</u>
	<u>215</u>	<u>41,898</u>
	<u>58,946</u>	<u>91,799</u>

Effective interest rate and currency split for interest-bearing loans and borrowings were as follows:

	<u>Interest rate</u>	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
<i>Secured</i>			
UAH Credit line from a Ukrainian bank	10% / 24%	40,514	71,895
EUR Credit line from a Ukrainian bank	EUR LIBOR 1m + 5.25%	16,863	18,393
EUR Supplier credits	6.50%	215	-
EUR Supplier credits	interest-free	<u>1,354</u>	<u>1,511</u>
		<u>58,946</u>	<u>91,799</u>

Interest-bearing loans and borrowings were secured as follows:

<i>Type of collateral</i>	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2014</u>
Property, plant and equipment (Note 17)	22,821	30,229
Investment properties (Note 18)	21,145	27,591
Inventories (Note 20)	<u>13,856</u>	<u>46,246</u>
	<u>57,822</u>	<u>104,066</u>

Interest-bearing loans and borrowings are also secured with property rights for future revenues in amount of USD 256 thousand.

As at 31 December 2015, the Group did not comply with financial covenants and other provisions of loan amounting to USD 16,863 thousand, including interest payable of USD 629 thousand. As a result of breach of these covenants, the creditor has a right to demand immediate repayment of this loan balance. Subsequently to the reporting date, the creditor demanded early repayment of loan balances in the amount of USD 16,875 thousand, including penalties, due on that date via foreclosure of collateral, which had carrying value of USD 27,495 thousand as at 31 December 2015. The creditor claimed early repayment on the basis of failure to make timely loan repayments by the Group. As at the date when these consolidated financial statements were authorised for issue, the court proceedings were in progress. As at 31 December 2015 the Group created a provision for fines and penalties under this legal case in the amount of USD 1,285 thousand (Note 29).

The Group's exposure to currency and interest rate risks related to interest bearing loans and borrowings is disclosed in Note 34.

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26. Trade and other payables

Trade and other payables consisted of the following:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Trade accounts payable	5,674	9,199
Payables for goods purchased for resale	717	4,629
Due to employees	246	676
Other	<u>1,027</u>	<u>5,685</u>
	<u><u>7,664</u></u>	<u><u>20,189</u></u>

As at 31 December 2015 overdue payables amounted to USD 2,547 thousand.

The Group's exposure to currency risk related to trade and other payables is disclosed in Note 34.

27. Advances received

Advances received consisted of the following:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Advances for apartments and non-residential property	28,144	26,866
Prepayments from subcontractors	5,400	8,219
Other	<u>1,136</u>	<u>610</u>
	<u><u>34,680</u></u>	<u><u>35,695</u></u>

28. Taxes payable, other than income tax

Taxes payable, other than income tax consisted of the following:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Payroll related taxes	104	321
Value added tax payable	95	2,789
Miscellaneous taxes	<u>142</u>	<u>160</u>
	<u><u>341</u></u>	<u><u>3,270</u></u>

29. Provisions

Movements in provisions were as follows:

	<u>Provision for post-construction expenses</u>	<u>Provision for tax disputes</u>	<u>Provision for legal disputes</u>	<u>Total</u>
At 1 January 2014	483	-	106	589
Arising during the year	-	2,223	3,413	5,636
Utilised	(161)	-	-	(161)
Translation difference	-	(551)	(955)	(1,506)
At 31 December 2014	<u>322</u>	<u>1,672</u>	<u>2,564</u>	<u>4,558</u>
Arising during the year	-	-	2,070	2,070
Utilised	(233)	-	-	(233)
Released	-	(1,150)	(39)	(1,189)
Translation difference	(89)	(470)	(1,062)	(1,621)
At 31 December 2015	<u><u>-</u></u>	<u><u>52</u></u>	<u><u>3,533</u></u>	<u><u>3,585</u></u>

As at 31 December 2015 provision for legal disputes in amount of USD 2,248 thousand is denominated in EUR (2014: USD 2,510 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***29. Provisions (continued)**

As at 31 December 2015 provision for tax and other disputes included provision for fines and penalties under legal case with the creditor, which demanded early loan repayment, in the amount of USD 1,285 thousand (Note 25).

30. Disposal group held for sale

As at 31 December 2015 assets classified as held for sale are presented by assets of subsidiary JSC "Ukrucukorteploizolyaciya" in the amount of USD 2,111 thousand and other assets held for sale in the amount of USD 842 thousand.

In 2015 the Group decided to sell its shares in subsidiary JSC "Ukrucukorteploizolyaciya" in order to settle a liability due to a counterparty. At 31 December 2015 the disposal group relating to the subsidiary comprised the following assets and liabilities:

	31 December 2015
Assets classified as held for sale	
Property, plant and equipment (Note 17)	2,085
Other assets	26
	<u>2,111</u>
	<u>31 December 2015</u>
Liabilities classified as held for sale	
Deferred tax liabilities	332
Other	25
	<u>357</u>

As at the date that these consolidated financial statements were approved for issue the sale arrangement was not completed.

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31. Related party disclosure

The Group's transactions with its related parties for the years ended 31 December 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	38	-	155	-
Other related parties	14	1	327	10,025
	<u>52</u>	<u>1</u>	<u>482</u>	<u>10,025</u>
<i>2014</i>				
Entities under common control	-	-	680	-
Other related parties	74	-	320	-
	<u>74</u>	<u>-</u>	<u>1,000</u>	<u>-</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>31 December 2015</i>				
Entities under common control	-	5,158	3,305	5,000
Other related parties	1	-	3	2
	<u>1</u>	<u>5,158</u>	<u>3,308</u>	<u>5,002</u>
<i>31 December 2014 (amended)</i>				
Entities under common control	10,049	7,851	5,089	7,610
Other related parties	686	-	53	3
	<u>10,735</u>	<u>7,851</u>	<u>5,142</u>	<u>7,613</u>

During the year ended 31 December 2015 management of the Group identified that related party disclosure as at and for the year ended 31 December 2014 was incomplete. Respectively, management of the Group amended the respective related party disclosures for the year 2014.

No publicly available financial statements are produced by the Group's ultimate parent company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***31. Related party disclosure (continued)*****Terms and conditions of transactions with related parties***

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

Outstanding balances at the year-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. For the year ended 31 December 2015 the Group has recorded impairment of receivables relating to amounts owed by related parties in amount of USD 10,000 thousand (Note 22). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation to key management personnel

In 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 165 thousand (2014: USD 279 thousand) and were included in general and administrative expenses.

32. Contingencies and commitments**Tax matters**

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

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these consolidated financial statements, except as disclosed in Note 29.

As a result of the events described in Note 2(a), Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Republic of Crimea. Starting from April 2014, this territory is subject to the transitional provisions of tax rules established by the Russian government to ensure gradual introduction of federal laws into the territory. Although these transitional provisions were thought to put certain relief on the entities registered in the Republic of Crimea, interpretations of these provisions by the tax authorities may be different from the tax payers' view. Management believes that it has adequately provided for tax liabilities based on its understanding of the official pronouncements. In absence of practice of applying new taxation rules by the tax authorities, the effect of potential disagreements in tax treatment of the Group's operations in the Republic of Crimea on the consolidated financial statements cannot presently be determined and can be significant.

As at 31 December 2015 the Group's management estimated that the maximum, other than provided, cumulative tax exposure amounted to USD 6,885 thousand (2014: USD 12,631 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***32. Contingencies and commitments (continued)****Purchase commitments**

As at 31 December 2015 and 31 December 2014 the Group had no contractual purchase commitments.

Litigations

The Group is involved in various legal proceedings in the ordinary course of the business. As at 31 December 2015 the Group created a provision for legal disputes in the amount of USD 3,533 thousand (2014: USD 2,564 thousand). As at 31 December 2015 provision for tax and other disputes also included provision for fines and penalties under legal case with the creditor, which demanded early loan repayment in the amount of USD 1,285 thousand (Note 25 and Note 29).

33. Fair value of financial instruments

Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments, that are carried in the consolidated statement of financial position:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>31 December 2015</i>	<i>31 December 2014</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
<i>Financial assets</i>				
Trade and other receivables	703	18,279	703	18,279
Cash and cash equivalents	85	211	85	211
<i>Financial liabilities</i>				
Interest-bearing loans and borrowings	58,946	91,799	58,065	84,075
Finance lease liability	38	492	38	492
Trade and other payables	7,664	20,189	7,664	20,189

The estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate. However, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realise in a current market situation.

The carrying values of cash and cash equivalents, trade and other receivables and payables and finance lease liability approximate their fair values due to the short maturities of these instruments.

Borrowing arrangements on short-term and long-term debt have both fixed and variable interest rates. Variable interest rates reflect the currently available terms for similar debt. The fair value of borrowings with fixed rates was established using significant observable inputs (Level 2) among which are weighted-average value of the borrowed capital denominated in similar currency with similar period, country risk and financial solvency of the borrower. The fair value of the UAH denominated long-term debt was estimated by discounting the expected future cash outflows/inflows (for not overdue loans) by a market interest rate of 18% p.a. (2014: 17.71% p.a.).

All financial assets and liabilities of the Group are categorised as Level 2 of the fair value measurement.

Notes to the Consolidated financial statements
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34. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the development of the Group's property portfolio. The Group has trade and other receivables and cash and short-term deposits that arise directly from its operations.

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's financial department. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The policies for managing each of these risks are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with floating interest rates.

In 2015 and 2014, the Group primarily borrowed at both fixed and floating rate pegged to the London Interbank Offered Rate ("EUR LIBOR").

As the majority of interest bearing liabilities have fixed rates or are overdue (see Note 25), the reasonably possible changes in interest rates could not have a significant impact on profit or loss or equity.

The Group has not entered into transactions designed to hedge against the interest rate risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including cash in bank. The Group's maximum credit risk exposure comprised:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cash and cash equivalents	85	211
Trade and other receivables	<u>703</u>	<u>18,279</u>
	<u>788</u>	<u>18,490</u>

The Group's cash is primarily held with major reputable banks located in Ukraine and Cyprus. The management carries out continuous monitoring of the financial position in respect of the financial institutions where the Group's cash is placed. The credit risk to the Group relates to the default of the banks on their obligations and is limited to the balance of the cash placed with the banks.

The credit risk of the Group attached to the outstanding balance of receivables is limited due to constant monitoring carried out by the Group's management of the creditworthiness of corporate customers, and because the Group generally requires a prepayment from non-corporate customers. The Group's credit risk is associated with the default of the customers on their obligations and is limited to the carrying amount of the accounts receivable. Management believes that the Group's exposure to the credit risk is not material to the overall business of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2015***(in thousands of US dollars, unless otherwise indicated)***34. Financial risk management objectives and policies (continued)**

Other exposures are monitored and analyzed on a case-by-case basis and the Group's management believes that credit risk is appropriately reflected in impairment allowances recognized against assets.

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and customers and bank loans and borrowings.

In the next twelve months the Group expects to finance its operating and investing activities with cash generated from operations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	<i>Less than one year</i>	<i>More than 1 year</i>	<i>Total</i>
<i>31 December 2015</i>			
Interest bearing loans and borrowings	59,834	256	60,090
Finance lease liability	38	-	38
Trade and other payables	7,664	-	7,664
	<u>67,536</u>	<u>256</u>	<u>67,792</u>
<i>31 December 2014</i>			
Interest bearing loans and borrowings	54,680	45,343	100,023
Finance lease liability	492	-	492
Trade and other payables	20,189	-	20,189
	<u>75,361</u>	<u>45,343</u>	<u>120,704</u>

Foreign currency risk

In common with many other businesses in Ukraine, foreign currencies, in particular the EUR play a significant role in the underlying economics of the Group's business transactions.

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than functional currency of the Group's entities. The Group has not entered into transactions designed to hedge against these foreign currency risks.

Foreign currency exposure as at 31 December 2015 and 2014, has been disclosed in Note 25 and Note 29.

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the carrying value of monetary assets and liabilities). The Group's exposure to foreign currency changes for all other currencies is not material.

	<i>Change in foreign currency exchange rates</i>	<i>Effect on profit before tax</i>
<i>2015</i>		
Increase in EUR exchange rate	10.00%	(1,995)
Decrease in EUR exchange rate	(10.00%)	1,995
<i>2014</i>		
Increase in EUR exchange rate	28.96%	(5,763)
Decrease in EUR exchange rate	(28.96%)	5,763

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34. Financial risk management objectives and policies (continued)

Capital risk management

The Group considers debt and shareholders' equity as primary capital sources. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and further the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to the Group's access to capital markets.

	<u>31 December 2015</u>	<u>31 December 2014</u>
Long-term borrowings	215	41,898
Short-term borrowings	58,731	49,901
Finance lease liability	38	492
Advances received from customers	34,680	35,085
Less cash and cash equivalents	(85)	(211)
Net debt	<u>93,579</u>	<u>127,165</u>
Total equity attributable to equity holders of the parent	<u>22,878</u>	<u>52,539</u>
Total capital and net debt	<u>116,457</u>	<u>179,704</u>
Gearing ratio	80%	71%

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

During the year ended 31 December 2015 the Group complied with externally imposed capital requirements. During the year ended 31 December 2015 there were no changes to the capital management policy of the Group.

35. Events after the reporting date

Subsequently to the reporting date, one of the creditors of the Group demanded early repayment of loan balances in the amount of USD 16,875 thousand, including penalties, due on that date via foreclosure of collateral. The creditor claimed early repayment on the basis of the Group's failure to make timely loan repayments by the Group. The court proceedings are in progress. As at 31 December 2015 the Group created a provision for fines and penalties under this legal case in the amount of USD 1,285 thousand (Note 29).

In April 2016 the Group concluded agreement on sale of its shares in subsidiary JSC "Ukrucukorteploizolyaciya" in order to settle a liability due to a counterparty (Note 30).

In March 2016, the Group signed an amendment to the loan agreement with one of its creditors in order to postpone the settlement of the outstanding balance of USD 21,824 thousand from 20 December 2015 till 28 September 2016.