

**TMM Real Estate Development plc**  
Unaudited Interim Condensed  
Consolidated Financial Statements

*As at 30 June 2017 and  
for six month then ending*

## CONTENT

|   |     |
|---|-----|
| Board of directors and professional advisors .....                                      | (a) |
| CONDENSED Consolidated statement of profit or loss and other comprehensive income ..... | 1   |
| CONDENSED Consolidated statement of financial position .....                            | 2   |
| CONDENSED Consolidated statement of changes in equity .....                             | 3   |
| CONDENSED Consolidated cash flow statement .....  | 4   |
| 1. Background .....   | 5   |
| 2. Basis of preparation and accounting policies .....                                   | 6   |
| 3. Seasonality of operations .....  | 7   |
| 4. Revenue .....  | 8   |
| 5. Operating segment information .....  | 8   |
| 6. Income tax .....   | 9   |
| 7. Property, plant and equipment .....  | 10  |
| 8. Investment properties .....  | 10  |
| 9. Property development rights .....  | 10  |
| 10. Inventories .....   | 10  |
| 11. Loans and borrowings .....  | 11  |
| 12. Related party disclosure .....  | 11  |
| 13. Contingencies and commitments .....   | 12  |
| 14. Financial risk management objectives and policies .....                             | 13  |

## **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  
T: +357 22 209000

### **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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six-month period ended 30 June 2017

(in thousands of US dollars, unless otherwise indicated)

|  | Notes | The six-month<br>period ended 30<br>June 2017 | The six-month<br>period ended 30<br>June 2016 |
|--|-------|---|---|
| Revenue  | 4     | 6,514   | 6,921   |
| Cost of sales  |       | (5,536)                                       | (4,518)                                       |
| <b>Gross profit</b>  |       | 978   | 2,403   |
| Other operating income   |       | 669   | 98  |
| General and administrative expenses                                  |       | (623)   | (425)   |
| Selling and distribution expenses                                    |       | (253)   | (130)   |
| Other operating expenses   |       | (278)   | (1,228)                                       |
| <b>Operating profit</b>  |       | 493   | 718   |
| Finance costs  |       | (2,050)                                       | (1,545)                                       |
| Foreign exchange loss, net   |       | (827)   | (1,020)                                       |
| <b>Loss before tax</b>   |       | (2,384)                                       | (1,847)                                       |
| Income tax benefit   | 6     | 228   | 47  |
| <b>Loss for the period</b>   |       | (2,156)                                       | (1,800)                                       |
| <b>Other comprehensive loss</b>                                      |       |   |   |
| <i>Items that may be reclassified subsequently to profit or loss</i> |       |   |   |
| Exchange differences on translation to presentation currency         |       | 873   | (822)   |
| <b>Other comprehensive loss for the period</b>                       |       | 873   | (822)   |
| <b>Total comprehensive loss for the period</b>                       |       | (1,283)                                       | (2,622)                                       |
| Loss attributable to:  |       |   |   |
| Equity holders of the parent   |       | (2,155)                                       | (1,794)                                       |
| Non-controlling interests  |       | (1)   | (6)   |
|  |       | (2,156)                                       | (1,800)                                       |
| Total comprehensive loss attributable to:                            |       |   |   |
| Equity holders of the parent   |       | (1,293)                                       | (2,605)                                       |
| Non-controlling interests  |       | 10  | (17)  |
|  |       | (1,283)                                       | (2,622)                                       |
| Basic and diluted earnings per share (in US dollars)                 |       | (0.04)  | (0.04)  |

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****as at 30 June 2017***(in thousands of US dollars, unless otherwise indicated)*

|  | Notes | 30 June<br>2017 | 31 December<br>2016 |
|--|-------|-----------------|---------------------|
| <b>ASSETS</b>  |       |                 |                     |
| <b>Non-current assets</b>                                  |       |                 |                     |
| Property, plant and equipment                              | 7     | 27,471          | 26,169              |
| Intangible assets  |       | 27              | 35                  |
| Investment properties                                      | 8     | 26,296          | 25,241              |
| Property development rights                                | 9     | 2,904           | 2,761               |
|  |       | <u>56,698</u>   | <u>54,206</u>       |
| <b>Current assets</b>                                      |       |                 |                     |
| Inventories  | 10    | 37,228          | 36,076              |
| Receivables under the investment agreement                 |       | 5,510           | 5,287               |
| Trade and other receivables                                |       | 1,740           | 1,001               |
| Prepayments  |       | 5,670           | 4,867               |
| Taxes recoverable, other than income tax                   |       | 24              | 27                  |
| Cash and cash equivalents                                  |       | 225             | 193                 |
| Assets classified as held for sale                         |       | 41              | 401                 |
|  |       | <u>50,438</u>   | <u>47,852</u>       |
| <b>TOTAL ASSETS</b>  |       | <u>107,136</u>  | <u>102,058</u>      |
| <b>EQUITY AND LIABILITIES</b>                              |       |                 |                     |
| <b>Equity</b>  |       |                 |                     |
| Share capital  |       | 510             | 510                 |
| Share premium  |       | 99,191          | 99,191              |
| Additional paid-in capital                                 |       | 15,450          | 15,450              |
| Revaluation reserve  |       | 79,464          | 79,464              |
| Accumulated deficit  |       | (47,476)        | (45,321)            |
| Translation reserve  |       | (127,082)       | (127,944)           |
| <b>Equity attributable to equity holders of the parent</b> |       | <u>20,057</u>   | <u>21,350</u>       |
| Non-controlling interests                                  |       | 274             | 264                 |
| <b>Total equity</b>  |       | <u>20,331</u>   | <u>21,614</u>       |
| <b>Non-current liabilities</b>                             |       |                 |                     |
| Loans and borrowings                                       | 11    | 215             | 215                 |
| Deferred tax liability                                     |       | 4,803           | 4,834               |
|  |       | <u>5,018</u>    | <u>5,049</u>        |
| <b>Current liabilities</b>                                 |       |                 |                     |
| Trade and other payables                                   |       | 9,389           | 7,195               |
| Loans and borrowings                                       | 11    | 50,437          | 48,078              |
| Advances received  |       | 18,088          | 17,083              |
| Income tax payable   |       | 117             | 108                 |
| Taxes payable, other than income tax                       |       | 3,756           | 2,931               |
|  |       | <u>81,787</u>   | <u>75,395</u>       |
| <b>TOTAL LIABILITIES</b>                                   |       | <u>86,805</u>   | <u>80,444</u>       |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |       | <u>107,136</u>  | <u>102,058</u>      |

Signed and authorised for release on behalf of TMM Real Estate Development plc on 29 September 2017:

Director



Mykola Tolmachov

Director



Larysa Chyvurina

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)*

|   | <i>Attributable to equity holders of the parent</i> |                      |                                   |                            |                          |                            | <i>Total</i>  | <i>Non-controlling interests</i> | <i>Total equity</i> |
|---|---|----------------------|-----------------------------------|----------------------------|--------------------------|----------------------------|---------------|----------------------------------|---------------------|
|   | <i>Share capital</i>                                | <i>Share premium</i> | <i>Additional paid-in capital</i> | <i>Revaluation reserve</i> | <i>Retained earnings</i> | <i>Translation reserve</i> |               |                                  |                     |
| <b>Balance at 1 January 2016</b>              | 510   | 99,191               | 15,450                            | 81,660                     | (49,023)                 | (124,910)                  | 22,878        | 332                              | 23,210              |
| Loss for the period                           | -   | -                    | -                                 | -                          | (1,794)                  | -                          | (1,794)       | (6)                              | (1,800)             |
| Other comprehensive loss                      | -   | -                    | -                                 | -                          | -                        | (811)                      | (811)         | (11)                             | (822)               |
| Total comprehensive loss for the period       | -   | -                    | -                                 | -                          | (1,794)                  | (811)                      | (2,605)       | (17)                             | (2,622)             |
| Transfer of revaluation reserve, net of taxes | -   | -                    | -                                 | -                          | -                        | -                          | -             | -                                | -                   |
| <b>Balance at 30 June 2016</b>                | <u>510</u>  | <u>99,191</u>        | <u>15,450</u>                     | <u>81,660</u>              | <u>(50,817)</u>          | <u>(125,721)</u>           | <u>20,273</u> | <u>315</u>                       | <u>20,588</u>       |
| <b>Balance at 1 January 2017</b>              | 510   | 99,191               | 15,450                            | 79,464                     | (45,321)                 | (127,944)                  | 21,350        | 264                              | 21,614              |
| Loss for the period                           | -   | -                    | -                                 | -                          | (2,155)                  | -                          | (2,155)       | (1)                              | (2,156)             |
| Other comprehensive loss                      | -   | -                    | -                                 | -                          | -                        | 862                        | 862           | 11                               | 873                 |
| Total comprehensive loss for the period       | -   | -                    | -                                 | -                          | (2,155)                  | 862                        | (1,293)       | 10                               | (1,283)             |
| Transfer of revaluation reserve, net of taxes | -   | -                    | -                                 | -                          | -                        | -                          | -             | -                                | -                   |
| <b>Balance at 30 June 2017</b>                | <u>510</u>  | <u>99,191</u>        | <u>15,450</u>                     | <u>79,464</u>              | <u>(47,476)</u>          | <u>(127,082)</u>           | <u>20,057</u> | <u>274</u>                       | <u>20,331</u>       |

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six-month period ended 30 June 2017**  
*(in thousands of US dollars, unless otherwise indicated)*

|   | Notes | <i>The six-<br/>month period<br/>ended<br/>30 June 2017</i> | <i>The six-<br/>month period<br/>ended<br/>30 June 2016</i> |
|---|-------|---|---|
| <b>Operating activities</b>   |       |   |   |
| Loss before tax   |       | (2,384)   | (1,847)   |
| Non-cash adjustments to reconcile loss before tax to net cash flows           |       |   |   |
| Depreciation and amortisation   |       | 318   | 196   |
| Gain on disposal of property, plant and equipment and investment properties   | 7, 8  | (3)   | (16)  |
| Loss on disposal of assets held for sale                                      |       | 217   | -   |
| Finance costs   |       | 2,050   | 1,545   |
| Unrealised foreign exchange loss  |       | 828   | 1,020   |
| Working capital adjustments   |       |   |   |
| Change in inventories   |       | 578   | 1,103   |
| Change in trade and other receivables   |       | (1,229)   | (1,468)   |
| Change in prepayments   |       | (584)   | (756)   |
| Change in taxes recoverable, other than income tax                            |       | 4   | 3   |
| Change in trade and other payables and provisions                             |       | 1,845   | 2,855   |
| Change in advances received   |       | 284   | 1,062   |
| Change in taxes payable, other than income tax                                |       | 685   | 886   |
| Interest paid   |       | (1,918)   | (2,399)   |
| <b>Net cash flows from operating activities</b>                               |       | <u>691</u>  | <u>2,184</u>  |
| <b>Investing activities</b>   |       |   |   |
| Proceeds from sale of property, plant and equipment and investment properties | 7, 8  | 28  | 90  |
| Purchase of property, plant and equipment and investment properties           | 7     | (28)  | (12)  |
| Proceeds from sale of assets held for sale                                    |       | 151   | -   |
| <b>Net cash flows (used in) / from investing activities</b>                   |       | <u>151</u>  | <u>78</u>   |
| <b>Financing activities</b>   |       |   |   |
| Proceeds from loans   | 11    | -   | 49  |
| Repayment of loans  | 11    | (819)   | (1,588)   |
| Repayment of finance lease liabilities  |       | -   | (3)   |
| <b>Net cash flows used in financing activities</b>                            |       | <u>(819)</u>  | <u>(1,542)</u>  |
| Net decrease in cash and cash equivalents                                     |       | 23  | 720   |
| Effect of movements in exchange rates on cash and cash equivalents            |       | 9   | 14  |
| Cash and cash equivalents as at 1 January                                     |       | 193   | 85  |
| <b>Cash and cash equivalents as at 30 June</b>                                |       | <u>225</u>  | <u>819</u>  |

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)***1. Background****Corporate information**

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

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

| <i>Name</i>             | <i>Principal activities</i>                                 | <i>30 June 2017</i> | <i>31 December 2016</i> |
|-------------------------|---|---------------------|-------------------------|
| <b>Subsidiaries:</b>    |   |                     |                         |
| Company "T.M.M." Ltd    | Construction, development and provision of utility services | 100.0%              | 100.0%                  |
| Ltd "TMM - VIKNA"       | Production of construction materials                        | 91.0%               | 91.0%                   |
| LLC "TMM - Budkomplekt" | Production of construction materials                        | 98.9%               | 98.9%                   |

All subsidiaries are incorporated in Ukraine.

The Group is ultimately controlled by Mr. Mykola Tolmachov.

**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 interim condensed 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 large part of foreign currency proceeds to local currency, a restriction on payment of dividends abroad, a restrictions 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



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)*

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 30 June 2017, the carrying value of the Group's property located in Yalta, the city of the Republic of Crimea, amounted to USD 4,981 thousand (31 December 2016: USD 4,831 thousand). The ultimate effect of these developments in the Republic of Crimea on the Group's ability to continue operations in this region, to realise its related assets and to maintain and secure its ownership rights cannot yet be determined.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These interim condensed 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.

**2. Basis of preparation and accounting policies****Statement of compliance**

These interim condensed consolidated financial statements for the six-month period ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016, which are available on the corporate web-site of the Group.

**Going concern**

During the six-month period ended 30 June 2017 the Group reported a net loss of USD 2,156 thousand (six-month period ended 30 June 2016: USD 1,800 thousand). Additionally, as at 30 June 2017 the Group's current liabilities exceeded its current assets by USD 31,349 thousand (31 December 2016: USD 27,543 thousand).

The Group needs to repay USD 32,458 thousand of loans and borrowings, which fall due in the short term. Additionally, as at 30 June 2017 loan amounting to USD 17,979 thousand was treated as on demand due to a non-compliance with the financial covenants (Note 11).

The Group's financial plan for 2017 anticipates growth in cash inflows from property sales and construction services as compared to 2016. To achieve the increase in positive cash inflow from its operations in 2017 the Group plans the following:

- to sell property which is already completed and property under development on a pre-payment basis;
- extend repayment of the principal and interest due to the largest lender;
- participate in tenders for rendering of construction services;
- to sell investment properties and property rights.

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 2017.

The Group's ability to continue its operations on a going concern basis depends on (i) generation of sufficient cash flows from its operating activities, and (ii) its ability to extend the payment terms of its interest-bearing loan which falls due in 2017.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)*

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 realise its assets and discharge its liabilities in the normal course of business.

**Functional and presentation currencies**

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

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

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

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

UAH is not a freely convertible currency outside Ukraine, and, accordingly, any conversion of UAH amounts into USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

The principal exchange rate used in the preparation of these interim condensed consolidated financial statements is UAH 26.10 to USD 1.00 (31 December 2016: UAH 27.19 to USD 1.00). Average USD exchange rate for the six-month period ended 30 June 2017 is UAH 26.77 to USD 1.00 (30 June 2016: UAH 25.54 to USD 1.00).

**Judgments and estimates**

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2016.

**Significant accounting policies**

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2016.

A number of new Standards, amendments to Standards and Interpretations are not yet effective for the six-month period ended 30 June 2017, and have not been applied in preparing these interim condensed consolidated financial statements. Management plans to adopt these pronouncements when they become effective.

The Group has no updates to information provided in the last annual consolidated financial statements about the Standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

**3. Seasonality of operations**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)***4. Revenue**

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

|  | <u>2017</u>  | <u>2016</u>  |
|--|--------------|--------------|
| Sales of completed inventory property    | 2,010        | 3,458        |
| Utility services income                  | 1,522        | 1,223        |
| Construction services revenue            | 1,199        | 965          |
| Rental income from investment properties | 612          | 505          |
| Other services                           | <u>1,171</u> | <u>770</u>   |
|  | <u>6,514</u> | <u>6,921</u> |

**5. Operating segment information****Identification of reportable segments**

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

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

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

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

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

|  | <i>Investment property</i> | <i>Property<br/>development and<br/>construction</i> | <i>Utility services</i> | <i>Total reportable<br/>segments</i> |
|--|----------------------------|--|-------------------------|--------------------------------------|
| <b>2017</b>                                      |                            |  |                         |                                      |
| <b>Revenue</b>                                   |                            |  |                         |                                      |
| External customers                               | 612                        | 3,209  | 1,522                   | 5,343                                |
| Inter-segment                                    | 8                          | 47   | 3                       | 58                                   |
| <b>Total revenue</b>                             | <u>620</u>                 | <u>3,256</u>   | <u>1,525</u>            | <u>5,401</u>                         |
| <b>Results</b>                                   |                            |  |                         |                                      |
| Depreciation                                     | -                          | (318)  | -                       | (318)                                |
| Selling and distribution expenses                | -                          | (253)  | -                       | (253)                                |
| <b>Segment results (including cost of sales)</b> | <u>620</u>                 | <u>325</u>   | <u>(233)</u>            | <u>712</u>                           |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

as at and for the six-month period ended 30 June 2017

*(in thousands of US dollars, unless otherwise indicated)***5. Operating segment information (continued)**

|  | <i>Investment property</i> | <i>Property<br/>development and<br/>construction</i> | <i>Utility services</i> | <i>Total reportable<br/>segments</i> |
|--|----------------------------|--|-------------------------|--------------------------------------|
| <b>2016</b>  |                            |  |                         |                                      |
| <b>Revenue</b>                                       |                            |  |                         |                                      |
| External customers                                   | 505                        | 4,423  | 1,223                   | 6,151                                |
| Inter-segment  | -                          | 160  | -                       | 160                                  |
| <b>Total revenue</b>                                 | <b>505</b>                 | <b>4,583</b>   | <b>1,223</b>            | <b>6,311</b>                         |
| <b>Results</b>                                       |                            |  |                         |                                      |
| Depreciation   | -                          | (196)  | -                       | (196)                                |
| Selling and distribution expenses                    | (17)                       | (113)  | -                       | (130)                                |
| <b>Segment results (including cost<br/>of sales)</b> | <b>488</b>                 | <b>1,333</b>   | <b>(77)</b>             | <b>1,744</b>                         |

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

Inter-segment revenues are eliminated on consolidation.

*Reconciliation of profit*

|                                     | <i>The six-month<br/>period ended 30<br/>June 2017</i> | <i>The six-month<br/>period ended 30<br/>June 2016</i> |
|-------------------------------------|--|--|
| <b>Segment results</b>              | 712  | 1,744  |
| Gain of other operating segments    | 71   | 689  |
| General and administrative expenses | (623)  | (425)  |
| Other operating expenses            | (278)  | (1,228)  |
| Other operating income              | 669  | 98   |
| Finance costs                       | (2,050)  | (1,545)  |
| Foreign exchange loss, net          | (827)  | (1,020)  |
| Inter-segment sales (eliminations)  | (58)   | (160)  |
| <b>Consolidated loss before tax</b> | <b>(2,384)</b>   | <b>(1,847)</b>   |

Major part for unallocated revenues during the six-month period ended 30 June 2017 relate to export of agricultural produce amounting to USD 768 thousand (2016: nil).

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

**6. Income tax**

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

*Profit or loss*

|  | <u>2017</u>  | <u>2016</u> |
|--|--------------|-------------|
| Current income tax charge  | -            | -           |
| Deferred tax relating to reversal and origination of temporary differences | (228)        | (47)        |
| <b>Income tax benefit reported in profit or loss</b>                       | <b>(228)</b> | <b>(47)</b> |

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

The Group is subject to taxation in two tax jurisdictions, depending on the residence of its entities (in Ukraine and Cyprus). During the six-month period ended 30 June 2017 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2016: 18%). The tax rate in Cyprus is 12.5% (2016: 12.5%).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)***7. Property, plant and equipment**

During the six-month period ended 30 June 2017, the Group purchased property and equipment with a cost of USD 28 thousand (six-month period ended 30 June 2016: USD 12 thousand).

Property and equipment with a carrying amount of USD 7 thousand were disposed during six-month period ended 30 June 2017, resulting in a gain on disposal of USD 5 thousand (six-month period ended 30 June 2016: USD 74 thousand and gain of USD 16 thousand, respectively).

**8. Investment properties**

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

During six-month period ended 30 June 2017 and 2016, the Group did not purchase investment properties.

During six-month period ended 30 June 2017, investment properties with a carrying value of USD 18 thousand were disposed of, resulting in a loss on disposal of USD 2 thousand. During six-month period ended 30 June 2016, the Group did not dispose of investment properties.

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. 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.

As at 30 June 2017 and 31 December 2016, the Group performed analysis of potential changes in fair value for investment property. The Group made an internal analysis of annual change in major macro indexes and real estate prices. Based on the analysis performed the Group concluded that there were no significant changes from 31 December 2015 in fair value of investment property as at 30 June 2017 and 31 December 2016 and as such no revaluation is required.

**9. Property development rights**

Property development rights were as follows (by projects):

| <i>Name of the project</i> | <i>Location of the project</i> | <i>Type of the project</i> | <i>30 June 2017</i> | <i>31 December 2016</i> |
|----------------------------|--------------------------------|----------------------------|---------------------|-------------------------|
| Arabatska strilka          | Kherson                        | Resort                     | 1,318               | 1,255                   |
| Satellite Town             | Kyiv                           | Residential                | 1,202               | 1,154                   |
| Korchagintsiv              | Kharkiv                        | Residential                | 239                 | 215                     |
| Tisa                       | Carpathians                    | Resort                     | 99                  | 93                      |
| Lubyanka                   | Kyiv                           | Land plots                 | 46                  | 44                      |
|                            |                                |                            | <u>2,904</u>        | <u>2,761</u>            |

**10. Inventories**

There were no inventory write-downs recognised during the six-month period ended 30 June 2017 and 2016.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)***11. Loans and borrowings**

Interest-bearing loans and borrowings were as follows:

|                        | <u>30 June 2017</u> | <u>31 December 2016</u> |
|------------------------|---------------------|-------------------------|
| <i>Current</i>         |                     |                         |
| Bank loans             | 49,886              | 47,553                  |
| Loans from shareholder | 490                 | 473                     |
| Other loans            | 40                  | 38                      |
| Supplier credits       | <u>21</u>           | <u>14</u>               |
|                        | <u>50,437</u>       | <u>48,078</u>           |
| <i>Non-current</i>     |                     |                         |
| Supplier credits       | <u>215</u>          | <u>215</u>              |
|                        | <u>215</u>          | <u>215</u>              |
|                        | <u>50,652</u>       | <u>48,293</u>           |

During six-month period ended 30 June 2017, the Group did not obtain additional debt financing (six-month period ended 30 June 2016: the Group obtained debt financing amounting to USD 49 thousand).

During six-month period ended 30 June 2017, the Group repaid loans and borrowings amounting to USD 819 thousand (six-month period ended 30 June 2016: USD 1,588 thousand).

As at 30 June 2017 and 31 December 2016, the Group did not comply with financial covenants and other provisions of loan amounting to USD 17,979 thousand (31 December 2016: USD 16,021 thousand), including interest payable of USD 1,022 thousand (31 December 2016: USD 490 thousand). As a result of breach of these covenants, the creditor has a right to demand immediate repayment of this loan balance. As at 30 June 2017 and 31 December 2016 loan amounting to USD 17,979 thousand and USD 16,021 thousand respectively was treated as on demand due to the non-compliance with financial covenants and other provisions of this loan.

**12. Related party disclosure**

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

|                                  | <u>Revenue</u> | <u>Other operating<br/>income</u> | <u>Purchases</u> | <u>Other operating<br/>expenses</u> |
|----------------------------------|----------------|-----------------------------------|------------------|-------------------------------------|
| <i>2017</i>                      |                |                                   |                  |                                     |
| Entities under<br>common control | -              | -                                 | -                | -                                   |
| Other related parties            | <u>8</u>       | <u>-</u>                          | <u>-</u>         | <u>-</u>                            |
|                                  | <u>8</u>       | <u>-</u>                          | <u>-</u>         | <u>-</u>                            |
| <i>2016</i>                      |                |                                   |                  |                                     |
| Entities under<br>common control | -              | -                                 | 11               | -                                   |
| Other related parties            | <u>2</u>       | <u>-</u>                          | <u>84</u>        | <u>-</u>                            |
|                                  | <u>2</u>       | <u>-</u>                          | <u>95</u>        | <u>-</u>                            |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)*

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

|                                  | <i>Trade and<br/>other<br/>receivables</i> | <i>Prepayments</i> | <i>Trade and<br/>other payables</i> | <i>Advances<br/>received</i> | <i>Loans from<br/>shareholders</i> |
|----------------------------------|--|--------------------|-------------------------------------|------------------------------|------------------------------------|
| <i>30 June 2017</i>              |  |                    |                                     |                              |                                    |
| Entities under<br>common control | 1  | 5,692              | 2,883                               | 4,598                        | -                                  |
| Other related parties            | 290  | -                  | 346                                 | 38                           | 490                                |
|                                  | <u>291</u>                                 | <u>5,692</u>       | <u>3,229</u>                        | <u>4,636</u>                 | <u>490</u>                         |
| <i>31 December 2016</i>          |  |                    |                                     |                              |                                    |
| Entities under<br>common control | -  | 4,553              | 2,775                               | 4,414                        | -                                  |
| Other related parties            | 3  | -                  | 294                                 | 2                            | 473                                |
|                                  | <u>3</u>                                   | <u>4,553</u>       | <u>3,069</u>                        | <u>4,416</u>                 | <u>473</u>                         |

***Terms and conditions of transactions with related parties***

Outstanding receivable and payable balances, excluding prepayments and advances received, at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at and for the six-month period ended 30 June 2017 the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

***Compensation to key management personnel***

Key management personnel consist of five top executives and three non-executive directors of the Group.

During six-month period ended 30 June 2017 the total short-term employee benefits to key management personnel comprised wages and salaries and respective social security taxes in the amount of USD 133 thousand (30 June 2016: USD 103 thousand) and were included in general and administrative expenses.

**13. 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 interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

As a result of the events described in Note 1, 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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****as at and for the six-month period ended 30 June 2017***(in thousands of US dollars, unless otherwise indicated)*

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 30 June 2017 the Group's management estimated that the maximum, other than provided, cumulative tax exposure amounted to USD 7,640 thousand (31 December 2016: USD 6,895 thousand).

**14. Financial risk management objectives and policies**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.