26 September 2017

Dragon-Ukrainian Properties & Development plc
("DUPD" or the "Company")

Results for the 6 months ended 30 June 2017

Dragon-Ukrainian Properties & Development plc, a leading investor in the real estate sector in Ukraine, is pleased to announce its results for the 6 months ended 30 June 2017

<u>Highlights</u>

Operational Highlights

- The Company continues to follow its investing policy as approved by shareholders at the EGM in February 2014
- Construction of phase 3 in Obolon Residences project is expected to commence by the end of 2017
- Green Hills, the suburban gated community, continued to capitalize on its high quality and leading position in the market with 55% of total land sold (compared to 50% of land sold as per 31 December 2016)
- Arricano Real Estate Plc, in which the Company holds 12.5%, demonstrated strong growth in revenues and pre-tax profit contributing to the Company's increase in NAV

Financial Highlights

- Total NAV of USD 49.1 million as of 30 June 2017 (up from USD 47.7 million as of 31 December 2016)
- Cash balance of USD 6.6 million (slightly down compared to USD 7.8 million as of 31 December 2016). Company has no leverage
- DUPD recorded operating gain from activities of USD 1.4 million for the 6 months ended 30 June 2017 (compared to loss of USD 3.5 million for the 6 months ended 30 June 2016). The gain is mostly driven by the strong performance of Arricano Real Estate Plc in which the Company holds 12.5%

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Statement of financial position as at 30 June

(in thousands of USD)	*Note*	**30 June 2017**	31 December 2016
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	*4*	**43,020**	40,779
Total non-current assets		**43,020**	40,779
Current assets			
Other accounts receivable	*5*	**161**	108
Cash and cash equivalents	*6*	**6,623**	7,771
Total current assets		**6,784**	7,879
Total assets		**49,804**	48,658
Equity and Liabilities			
Equity			
Share capital	*7*	**2,187**	2,187
Share premium		**271,251**	271,251
Accumulated losses		**(224,342)**	**(225,752)**
Total equity		**49,096**	47,686
Current liabilities			
Other accounts payable	*8*	**708**	972
Total current liabilities		**708**	972
Total liabilities		**708**	972
Total equity and liabilities		**49,804**	**48,658**

These financial statements were approved by the board of Directors (the Board) on 25 September 2017 and were signed on its behalf by:

Non-executive Chairman — Mark Iwashko

Non-executive director — Aloysius Wilhelmus Johannes van der Heijden

Statement of comprehensive income for the 6 months ended 30 June

(in thousands of USD)	*Note*	**6 months 2017**	6 months 2016
Net gain\(loss) from financial assets at fair value through profit or loss	*10*	**2,230**	(2,228)
Management fee	*9*	**(625)**	(850)
Administrative expenses	*11*	**(193)**	(226)
Other income		**-**	62
Other expenses		**(9)**	(55)
Performance fee	*9*	**-**	(211)
Total operating gain		**1,403**	(3,508)
Finance income		**7**	7
Finance costs		**-**	(1)
Gain\(Loss) for the 6 months		**1,410**	(3,502)
Net gain\(loss) and total comprehensive gain for the 6 months		**1,410**	(3,502)
Gain\(Loss) per share			
Basic gain\(loss) per share (in USD)	*13*	**0.01**	(0.03)
Diluted gain\(loss) per share (in USD)	*13*	**0.01**	(0.03)

The Directors believe that all results are derived from continuing activities.

Statement of cash flows for the 6 months ended 30 June

(in thousands of USD)	*Note*	**6 months 2017**	6 months 2016
Cash flows from operating activities			
Gain for the 6 months		**1,410**	(3,502)
Adjustments for:			
Net gain from financial assets at fair value through profit or loss	*10*	**(2,230)**	2,228
Finance income		**(7)**	-
Interest received		**-**	7
Loans granted		**(43)**	(33)
Loans repaid		**5**	150
Operating cash flows before changes in working capital		**(865)**	(1,150)
Change in other accounts receivable		**(17)**	(11)
Change in other accounts payable		**(266)**	(313)
Cash flows (used in)/from operating activities		**(1,148)**	(1,474)
Cash flows from financing activities		-	(6,014)
Dividends paid	*7*	-	(6,014)
Cash flows used in financing activities			
Net change in cash and cash equivalents		**(1,148)**	(7,488)
Cash and cash equivalents at 1 January		**7,771**	15,912
Effect of foreign exchange fluctuation on cash balances		**-**	1
Cash and cash equivalents at 30 June		**6,623**	8,425

Statement of changes in equity

(in thousands of USD)	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total
Balances at 1 January 2016	**2,187**	**277,265**	**(221,065)**	**58,387**
Total comprehensive loss for the year				
Net loss	**-**	**-**	**(4,687)**	**(4,687)**
Transactions with owners of the Company				
Dividends (note 7)	**-**	**(6,014)**	**-**	**(6,014)**
Total transactions with owners of the Company		**(6,014)**		**(6,014)**
Balances at 31 December 2016	**2,187**	**271,251**	**(225,752)**	**47,686**
Total comprehensive gain for the 6 months				
Net loss			**1,410**	**1,410**
Total comprehensive gain for the 6 months	**-**	**-**	**1,410**	**1,410**
Contributions by and distributions to owners	**-**	**-**	**-**	**-**
Balances at 30 June 2017	**2,187**	**271,251**	**(224,342)**	**49,096**

Notes to the financial statements

1. Background

(a) Organisation and operations

Dragon – Ukrainian Properties & Development PLC (the 'Company') was incorporated in the Isle of Man on 23 February 2007. The Company's registered office is 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU and its principal place of business is Ukraine.

On 1 June 2007 the Company raised USD 208 million through an initial public offering on the AIM Market (AIM) of the London Stock Exchange. On 29 November 2007, the Company completed a secondary placing on AIM and raised USD 100 million.

The main activities of the Company are investing in the development of its existing real estate properties in Ukraine. The Company provides financing to its investees either through equity or debt financing. On 17 February 2014 an Extraordinary Meeting of Shareholders approved a new Investing Policy as defined by the AIM Rules for Companies. Under this revised policy the Board will seek to realise the Company's Properties in an orderly manner, such realisations to be effected at such times, on such terms and in such manner as the Board (in its absolute discretion) may determine.

(b) Business environment

The Ukrainian economy is recovering gradually following a deep slump. Gross domestic product increased 2.3% in 2016 and 2.4% in 2Q17. Economic growth is driven by double-digit rise in domestic investment and gradual revival of household consumption. Currency stabilization and prudent monetary and fiscal policy helped to tame average consumer inflation from 49% in 2015 to 14% in 2016. The National Bank of Ukraine adopted an inflation targeting regime and started to gradually relax foreign currency restrictions, including permission to pay dividends to a certain level and lowering the requirement for converting of foreign currency proceeds. Owing to conservative spending policy and energy sector reform, the broad fiscal deficit (including Naftogas deficit) narrowed from 10% of gross domestic product in 2014 to 2% of gross domestic product in 2015 and remained at 2.3% in 2016. The banking sector was cleaned from non-viable banks and the country's largest private bank Privatbank was nationalized in December 2016. As at 31 December 2016, 93 banks operated in Ukraine, compared to 180 as at 31 December 2013.

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

2. Basis of preparation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

(b) Basis of measurement

The financial statements are prepared under the historical cost basis, except for the following material items:

Items	Measurement basis
Investments at fair value through profit or loss	Fair value
Loans receivable	Fair value

(c) Functional and presentation currency

These financial statements are presented in thousands of US dollars (USD), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(i) Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Company's investments and transactions are denominated in US dollars. The expenses (including management and performance fees, administrative expenses) are denominated and paid in US dollars. Accordingly, management has determined that the functional currency of the Company is US dollar. All information presented in US dollars is rounded to the nearest thousand unless otherwise stated therein.

(d) Use of judgments, estimates and assumptions

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

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

As stated in note 1 (b) to these financial statements, the political and business situation has deteriorated significantly. This is a key factor in the estimation uncertainty and critical judgements associated with applying the accounting policies in these financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and could lead to significant adjustment in the next financial year are included in the following notes:
- Note 3 (a) – Determination of investment entity criteria
- Note 4 – Financial assets at fair value through profit or loss

Measurement of fair values

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

The Directors are responsible for overseeing all significant fair value measurements, including Level 3 fair values. They review and approve significant unobservable inputs and valuation adjustments before they are included in the Company's financial statements. To assist with the estimation of fair values the Directors, when appropriate, engage with a registered independent appraiser, having a recognised professional qualification and recent experience in the location and categories of the assets being valued.

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

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

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

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

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

- Note 4 – Financial assets at fair value through profit or loss.

(e) Going concern

These financial statements are prepared on a going concern basis. In the 6 months ended 30 June 2017 the Company incurred a net gain of USD 1,410 thousand (30 June 2016: net loss USD 3,502 thousand) and had negative cash flows from operating activities of USD 1,148 thousand (30 June 2016: negative cash flows from operating activities of USD 1,474 thousand). As at that date the Company's current assets exceeded its current liabilities by USD 6,076 thousand (31 December 2016: USD 6,907 thousand) and its Net Asset Value amounted to USD 49,096 thousand (31 December 2016: USD 47,686 thousand).

As described in note 3(a), the Company has a clear exit strategy from its real estate projects under which no new investments are planned. The Company expects to receive the returns from the existing projects in its portfolio and intends to pass through these returns to its shareholders via distribution. The Company intends to continue operations until final realization of its investment projects. The Directors believe that the Company currently plans to continue operations for the foreseeable future and that its existing cash resources are sufficient to meet the Company's liabilities for at least several years and, therefore, the going concern basis for preparing these financial statements is appropriate.

3. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Investment entity

The Company is an investment entity as defined by IFRS and measures all of its investments at fair value through profit or loss.

In determining whether the Company meets the definition of an investment entity, management considered the following:

- The Company raised funds on AIM (through the first and second issue of shares) only for the purpose of making investments in the development of new properties and the redevelopment of existing properties in Ukraine.
- The Company has a clear exit strategy from its real estate projects (either through sale of the properties, or through sale of shareholding rights in the entities, which own the properties). This is stated in the Company's new investing policy that was voted and approved by the general meeting of shareholders in February 2014. The full text of the current investing policy could be found on the Company's website http://www.dragon-upd.com/investor-information/important-information/business-strategy-and-investing-policy
- The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.
- The Company's Directors (acting on behalf of the Company) take only strategic decisions and approve overall direction of investing activity in order to maximise the returns to shareholders. At the same time, the Directors chose and appointed DCM Limited as the Company's investment manager (see note 9). DCM Limited's employees perform recurring management operating activities in accordance with the Third Management Agreement and within the strategic decisions of the Directors. There is no separate substantial business activity beyond earning returns from capital appreciation and investment income. The Directors seek to return any surplus funds and net proceeds from property realisation to shareholders when appropriate, in accordance with its investing policy.

Considering the above, the Company's management determined that the Company meets the definition of investment entity in accordance with IFRS 10 *Consolidated Financial Statements* and, accordingly, the Company has not consolidated its subsidiaries. The Company measures its investments in subsidiaries at fair value through profit and loss (note 3(b)). Such approach provides a fair and transparent view on the Company to the Company's shareholders and stakeholders.

The Company also elected to measure its investments in associates and loans receivable from its investees at fair value through profit or loss (notes 3(c) and 3(d)).

All these assets are presented within financial assets at fair value through profit or loss in the Company's statement of financial position.

(b) Subsidiaries

Subsidiaries are investees controlled by the Company. The Company controls an investee when it is exposed to, or has right to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are measured and accounted for at fair value with gains or losses recognised in profit or loss (see note 3(a)).

Unconsolidated subsidiaries and their grouping by investment in respective projects are as follows:

Name	**Country of incorporation**	**Project**	**% of ownership**	
			30 June 2017	**31 December 2016**
Glangate LTD	Cyprus	**Kremenchuk**	**100%**	100%
New Region LLC	Ukraine	**Kremenchuk**	**100%**	100%

Name	Country of incorporation	Project	% of ownership	
			30 June 2017	**31 December 2016**
Blueberg Trading Limited	British Virgin Islands	**Green Hills**	**100%**	100%
Capital Construction LLC	Ukraine	**Green Hills**	**0%**	100%
Grand Development LLC	Ukraine	**Green Hills**	**100%**	100%
J Komfort Neruhomist LLC	Ukraine	**Green Hills**	**100%**	100%
Korona Development LLC	Ukraine	**Green Hills**	**100%**	100%
Linkrose LTD	Cyprus	**Green Hills**	**100%**	100%
Landzone LTD	Cyprus	**Avenue Shopping mall**	**100%**	100%
Landshere LTD	Cyprus	**Land Bank**	**90%**	90%
Riverscope LTD	Cyprus	**Land Bank**	**90%**	90%
Z Development LLC	Ukraine	**Land Bank**	**100%**	100%
Z Neruhomist LLC	Ukraine	**Land Bank**	**100%**	100%
Closed investment fund “Development”	Ukraine	**Obolon Residences**	**100%**	100%
PrJSC "Dom byta "Obolon"	Ukraine	**Obolon Residences**	**100%**	100%
Startide LTD	Cyprus	**Obolon Residences**	**100%**	100%
Bi Dolyna Development LLC	Ukraine	**Riviera Villas**	**100%**	100%
EF Nova Oselya LLC	Ukraine	**Riviera Villas**	**100%**	100%
Mountcrest LTD	Cyprus	**Riviera Villas**	**100%**	100%
Riviera Villas LLC	Ukraine	**Riviera Villas**	**100%**	100%
Stenfield Finance Limited	British Virgin Islands	**Riviera Villas**	**100%**	100%
Linkdell LTD	Cyprus	**Sadok Vishneviy**	**100%**	100%
Komfort Residences LLC	Ukraine	**Obolon Residences**	**100%**	100%

(c) Associates

Associates are those companies in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another company. In certain cases when the Company has less than 20% of the voting power of another company, this company is still accounted for as an associate on the basis of significant influence.

Investments in associates are measured and accounted for at fair value with gains or losses recognised in profit or loss (see note 3(a)).

Investments in associates comprise the investment in Hindale Executive Investments Limited (part of investment in the Avenue Shopping Centre project). The investment in Hindale Executive Investments Limited was disposed of during the 6 months ended 30 June 2017 (see note 4(b)).

(d) Loans receivable from investees

In addition to equity financing to its investees, as a part of structuring its investments the Company also provides debt financing to its investees. As described in note 3(a), the Company elected to measure loans receivable from its investees at fair value through profit or loss. These investments are presented as “loans and receivables” in accordance with IFRS requirements.

(e) Foreign currency

Transactions in foreign currencies are translated into US dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into US dollar at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain/(loss) from investments at fair value through profit or loss or net gain/(loss) from loans receivable.

(f) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and other loans and receivables.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified at fair value through profit or loss category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise loans receivable from investees at fair value through profit or loss and equity investments at fair value through profit or loss (see notes 3(b), 3(c) and 3(d)).

Other loans and receivables

Other loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Other loans and receivables comprise the following classes of assets: other accounts receivable as presented in note 5 and cash and cash equivalents as presented in note 6.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and liquid investments with maturities at initial recognition of three months or less.

(ii) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities in the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise other payables as presented in note 8.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iii) Share capital

Ordinary shares

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

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are immediately cancelled and the total number of issued shares reduced by the purchase.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

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

An impairment loss is calculated as the difference between the asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Finance income and costs

Finance income comprises interest income on financial assets and currency exchange gains. Finance costs comprise interest expense and currency exchange losses.

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based repricing date to the net carrying amount of the financial instrument on initial recognition.

Interest received or receivable, and interest paid or payable, are recognised in profit or loss as finance income and finance costs, respectively, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain/(loss) from investments at fair value through profit or loss or net loss from loans receivable.

(j) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated at fair value through profit or loss is recognised in profit or loss in separate line item.

(k) Net gain/(loss) from financial assets at fair value through profit or loss

Net gain/(loss) from financial assets at fair value through profit or loss includes all realised and unrealised fair value changes, interest income and foreign exchange differences, but excludes dividend income.

(l) Fees and administrative expenses

Fees and administrative expenses are recognised in profit or loss as the related services are performed or expenses are incurred.

Tax

Under the current tax legislation in the Isle of Man, the applicable tax rate is 0% for the Company.

However, some dividend and interest income received by the Company may be subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.

Further, as stated in note 12(b), the Company's investees perform most of their operations in Ukraine and are therefore within the jurisdiction of the Ukrainian tax authorities.

(m) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants and share options.

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

The Directors determined that the sole segment in which the Company operates is investing in property development.

(o) Changes in presentation

Certain comparative information in these financial statements was amended to conform to the current year presentation.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the 6 months ended 30 June 2017, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's financial statements (subject to adoption by the EU). The Company plans to adopt these pronouncements when they become effective.

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

IFRS 9 Financial Instruments

IFRS 9 *Financial instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, and includes revised guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification - Financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment – Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortised cost and FVOCI and the contract assets. The new impairment model generally requires to recognise expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months (‘12-month ECL’) or expected credit losses resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Initial amount of expected credit losses recognised for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognised are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses.

Transition

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Company does not intend to adopt the standard earlier.

The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

The Company has not started a formal assessment of potential impact on its financial statements resulting from the application of IFRS 9 neither has initiated any specific actions towards the preparation for implementation of IFRS 9. Accordingly, it is not practicable to estimate the impact that the application of IFRS 9 will have on the Company's financial statements.

4. Financial assets at fair value through profit or loss

The Company has the following financial assets at fair value through profit or loss as at:

(in thousands of USD)	**Project**	**30 June 2017**	31 December 2016
Equity investments at fair value through profit or loss			
Subsidiaries			
Landzone Ltd	Avenue Shopping mall	-	172
Stenfield Finance Ltd	Riviera Villas	-	-
Mountcrest Ltd	Riviera Villas	-	-
Linkdell Ltd	Financing company	-	-
Glangate Ltd	Kremenchuk	-	-
Blueberg Trading Ltd	Green Hills	-	-
Riverscope Ltd	Land Bank	-	-
Landshere Ltd	Land Bank	-	-
Linkrose Ltd	Green Hills	-	-
Startide Ltd	Obolon Residences	-	-
		-	172
Other equity investments			
Arricano Real Estate plc (note 4(a))	Arricano	**5,667**	3,025
		5,667	3,197
Loans receivable at fair value through profit or loss			
Startide Ltd	Obolon Residences	**13,718**	12,391
Riverscope Ltd	Land Bank	**5,958**	6,934
Linkdell Ltd*	Sadok Vishneviy	**6,935**	7,060
Landshere Ltd	Land Bank	**3,362**	3,698
Linkrose Ltd	Green Hills	**5,027**	4,884

Stenfield Finance Limited	Riviera Villas	**1,156**	1,346
Glangate Ltd	Kremenchuk	**346**	431
Blueberg Trading Limited	Green Hills	**851**	838
		37,353	37,582
		43,020	40,779

* Linkdell Ltd provides financing through issued loans on the following projects:

(in thousands of USD)	**30 June 2017**	31 December 2016
Riviera Villas	**2,019**	2,281
Sadok Vyshneviy	**2,286**	2,300
Obolon Residences	**1,407**	1,288
Green Hills	**1,159**	1,113
Kremenchuk	**64**	78
	6,935	7,060

(a) Investment in Arricano Real Estate PLC

The Company acquired a shareholding in Arricano Real Estate PLC (Arricano) in 2010. In September 2013 the shares of Arricano were admitted to trading on the AIM market of the London Stock Exchange.

There was no active market trading in Arricano shares during 2017 and 2016. Therefore, the Company's management applied valuation method under which Arricano's net assets value as at 30 June 2017 (audited) was multiplied by the Company's share in Arricano's net assets.

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

If Arricano's net assets were 10% lower than that used in the valuation model, the fair value of the investment in Arricano as at 30 June 2017 would be USD 475 thousand lower. If Arricano's net assets were 10% higher than that used in the valuation model, the fair value of the investment in Arricano as at 30 June 2017 would be USD 475 thousand higher.

(b) Investment in subsidiaries and associates (investees)

(i) Valuation technique and significant unobservable inputs

For the estimation of fair values of the Company's investments the Company's management used the adjusted net assets method.

Management performed a detailed review of the investees' assets and liabilities for the purpose of their fair value assessment:

- Assets are mainly represented by real estate properties and prepayments for properties (land). The fair value of these properties and prepayments for properties was assessed by the independent appraiser, CBRE Ukraine

- Liabilities are mainly represented by long-term loans payable due to the Company.
- Trade receivables balance is mainly represented by long-term receivables. Fair value of long-term receivables that carry no interest is measured at present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument, with a similar credit rating.
- Other assets and liabilities are short-term by nature and their fair value approximates the carrying amount. Thus, no additional adjustment is required.

The investees' net assets are adjusted for the non-controlling interest based on the ownership percentage.

(ii) Investment in Landzone Ltd (Avenue Shopping mall)

Landzone Ltd holds 18.77% of the share capital of Hindale Executive Investments Limited (Hindale Ltd) which, in turn, holds 100% of the share capital of Promtek. LLC. Promtek's sole purpose is to develop the Avenue Shopping Centre project.

In October 2009, due to the fact that certain conditions set in the shareholders' agreement between the Company and the partner were not met (in particular, certain permits were not procured and the land plot was not cleared of garages before October 2009), the Company decreased its stake in Hindale Ltd from 50% + 1 share to 18.77 % and as a result in Promtek LLC, which is 100% owned by Hindale LTD.

On 4 July 2017 the Board was informed by the Investment Manager that Promtek LLC has stopped paying lease payments and it is very unlikely that it will be able to renew the lease agreement for a land plot which expires in May 2018. Based on this the Board decided to keep this investment (18.77% of Hindale Ltd) at zero value in the balance sheet of the Company. On its subsequent meeting on 4 September 2017 the Board has approved the sale of the corporate rights of Hindale Ltd for zero consideration to the third party. The reason for this decision is the fact that Promtek LLC has suspended lease payments for the land plot and it is very unlikely that it will be able to renew the lease agreement which expires in May of 2018. The Board considers that under such circumstances when the Promtek LLC liabilities mount up and Promtek LLC has no support of its majority shareholder there are certain risks to remain as the minority shareholder in Hindale Ltd.

As at 30 June 2017 investment in Landzone Ltd is stated at zero value (31 December 2016: 172 thousand USD) and respective fair value loss in the amount 172 thousand USD is recognized in profit or loss.

Summary of fair values of respective investment projects is as follows as at 30 June 2017:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshneviy**	**Land Bank**	**Kremenchuk**	**Total**
Assets							
Investment properties	3,097	3,104			7	400	**6,608**
Prepayments for land			-	-	9,400		**9,400**
Property and equipment	49	151	348	-		-	**548**
Intangible assets	1	1	16	-	-	-	**18**
Inventories	23	77	12,329	1,000	-	-	**13,429**
Trade and other receivables	604	3,173	2,620	1,089	-	-	**7,486**
VAT recoverable	124	468		-	-	-	**592**
Prepaid income tax	2		-	24	-	-	**26**
Cash and cash equivalents	200	1,448	2,514	246	4	14	**4,426**
Total assets	**4,100**	**8,422**	**17,827**	**2,359**	**9,411**	**414**	**42,533**
Deferred tax liabilities	-	-	411	-	-	-	**411**
Long-term loans payable	-	-	-	-	-	-	**-**
Intercompany loans	22,140	33,725	41,865	17,326	235,899	12,662	**363,617**
Other long-term payables	-	-	4	-	-	-	**4**
Trade and other liabilities	1,133	1,385	1,715	73	91	4	**4,401**
Income tax payable	-	-	363	-	-	-	**363**
Total liabilities	**23,273**	**35,110**	**44,358**	**17,399**	**235,990**	**12,666**	**368,796**
Net identifiable assets and liabilities	**(19,173)**	**(26,688)**	**(26,531)**	**(15,040)**	**(226,579)**	**(12,252)**	**(326,263)**
Ownership	**100%**	**100%**	**100%**	**100%**	**90%**	**100%**	
Nominal amount of loans receivable	**22,140**	**33,725**	**41,865**	**17,326**	**235,899**	**12,662**	**363,617**
Fair value of loans receivable	**2,967**	**7,037**	**15,334**	**2, 285**	**9,320**	**410**	**37,353**

Summary of fair values of respective investment projects as at 31 December 2016 are as follows:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshneviy**	**Avenue Shopping Centre**	**Land Bank**	**Kremenchuk**	**Total**
Assets								
Investment properties	4,069	4,037	-	-	1,240	7	500	**9,853**
Prepayments for land	-	-	-	-	-	10,707	-	**10,707**
Property and equipment	45	136	43	-	-	-	-	**224**
Intangible assets	1	-	19	-	-	-	-	**20**
Inventories	21	73	12,635	1,142	-	-	-	**13,871**
Trade and other receivables	132	1,453	3,667	1,096	12	-	-	**6,360**
VAT recoverable	101	497	1	-	-	-	-	**599**
Prepaid income tax	1	-	-	22	-	-	-	**23**
Cash and cash equivalents	230	1,161	481	112	86	3	12	**2,085**
Total assets	**4,600**	**7,357**	**16,846**	**2,372**	**1,338**	**10,717**	**512**	**43,742**
Deferred tax liabilities	-	-	1,377	-	199	-	0	**1,576**
Long-term loans payable	24,936	32,970	40,989	17,349	5	230,172	12,390	**358,811**
Intercompany loans	-	-	-	-	85	-	-	**85**
Other long-term payables	-	-	4	-	-	-	-	**4**
Trade and other liabilities	973	522	1,783	72	92	85	3	**3,530**
Income tax payable	-	-	3	-	-	-	-	**3**
Total liabilities	**25,909**	**33,492**	**44,156**	**17,421**	**381**	**230,257**	**12,393**	**364,009**
Net identifiable assets and liabilities	**(21,309)**	**(26,135)**	**(27,310)**	**(15,049)**	**957**	**(219,540)**	**(11,881)**	**(320,267)**
Ownership	**100%**	**100%**	**100%**	**100%**	**18.77%***	**90%**	**100%**	
Fair value of equity investment	**-**	**-**	**-**	**-**	**172**	**-**	**-**	**172**
Nominal amount of loans receivable	**24,936**	**32,970**	**40,989**	**17,349**	**5**	**230,172**	**12,390**	**358,811**
Fair value of loans receivable	**3,627**	**6,835**	**13,679**	**2,300**	**-**	**10,632**	**509**	**37,582**

To assist with the estimation of fair value of investment properties, prepayments for land and inventories (together "the real estate projects") as at 31 December 2016 the Directors engaged independent appraiser DTZ Kiev B.V., as at 30 June 2017 the Directors engaged independent appraiser CBRE Ukraine having a recognised professional qualification and recent experience in the location and categories of the projects being valued.

The 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 valuation is prepared in accordance with practice standards contained in the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) or in accordance with International Valuation Standards published by the International Valuations Standards Council.

The fair value measurement, developed for determination of fair value of the properties, is categorised within Level 3 of the fair value hierarchy, due to the significance of unobservable inputs to the measurement.

Investment properties

As at 30 June 2017 and 31 December 2016 investment properties were represented by Green Hills and Riviera Villas, and Kremenchuk Retail Centres projects.

In the absence of current prices in an active market, the valuations are prepared under the income approach by converting estimated future cash flows to a single current capital value.

The estimation of fair value was made using a net present value calculation based on certain assumptions, which represent key unobservable inputs, the most important of which as at 30 June 2017 are as follows:

- monthly rental rates - which were based on current rental rates ranging from USD 4 to USD 22 per sq. m.
- development costs based on current construction prices
- average cottage sales price ranging from USD 870 to USD 1,488 per sq. m.
- discount rate – from 12% to 22%
- sales period – from 3.5 to 8 years
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

As at 31 December 2016 the respective assumptions, which represent key unobservable inputs for determination of fair value, were as follows:

- monthly rental rates - which were based on current rental rates ranging from USD 3.4 to USD 32 per sq. m.
- development costs based on current construction prices
- average cottage sales price ranging from USD 834 to USD 1,537 per sq. m.
- discount rate – from 22% to 24.5%
- sales period – from 1 to 7 years
- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans.

Prepayments for land

Land plots for the land bank project with a total area of 483 ha are currently registered for agricultural use, and the rezoning process to change the purpose of the land plots to construction use was in progress as at 30 June 2017 and 31 December 2016. Land plots with a total area of 19.9 ha had been rezoned for construction use by the end of 2012. The fair value of the land bank was determined using agricultural and residential property comparatives according to actual land plot zoning and discounting for the time period likely to be required to sell the land plots.

However, the Ukrainian market for land plots zoned for agricultural use is characterised by low liquidity and restrictions related to disposal of such land. Therefore, although management of the Company exercised the generally acceptable valuation approach in such circumstances taking into account all available information, significant uncertainties with regards to low liquidity and legislation restrictions still exist as at 30 June 2017 and 31 December 2016.

The estimation of fair value of the underlying assets (the land plots) was made based on certain assumptions, which represent key unobservable inputs, the most important of which as at 30 June 2017 are as follows:

- average market prices ranging from USD 46 thousand to USD 123 thousand per ha
- discount rates set at the level of 23%
- sales period – from 1 to 8 years

As at 31 December 2016 the respective assumptions were as follows:

- average market prices ranging from USD 28 thousand to USD 189 thousand per ha
- discount rates ranging from 21.5% to 22.5%
- sales period – from 1 to 7 years

Inventory

As at 30 June 2017 and 31 December 2016 inventory was represented by the gated community Sadok Vyshnevyi (18 constructed flats in townhouses and relevant land plots) and the Obolon Residences project (residential complex in Kyiv under construction).

The estimation of fair value was made using a net present value calculation based on certain assumptions, which represent key unobservable inputs, the most important of which as at 30 June 2017 are as follows:

- average market prices ranging from USD 430 to USD 2,241 per sq. m.
- discount rates ranging from 20% to 22%
- sales period – from 3 to 4 years

As at 31 December 2016 the respective assumptions were as follows:

- average market prices ranging from USD 387 to USD 2,101 per sq. m.
- discount rates ranging from 18.75% to 23%
- sales period – from 1 to 3 years

Other assets and liabilities

Liabilities are mainly represented by the long-term loans payable to the Company.

Trade receivables balance is mainly represented by long-term receivables. Fair value of long-term receivables that carry no interest is measured at present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument, with a similar credit rating.

The financial instruments not measured at fair value comprise other accounts receivable, cash and cash equivalents and other accounts payable. The carrying amount of such instruments approximates their fair value due to their short-term nature (except for loans payable).

(c) Loans receivable at fair value through profit or loss

The loans are denominated in USD, unsecured, interest free or interest bearing (up to 11%) and represent an alternative to the equity way of financing investments.

Loans receivable are designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and measured at fair value in accordance with IFRS 13 *Fair value measurement* as the present value of the expected future cash flows, discounted using a market-related rate (see notes 3(a) and 3(d)). Expected future cash flows are represented by cash flows generated from the underlying assets for the loans (the real estate projects).

5. Other accounts receivable

Other accounts receivable are as follows:

(in thousands of USD)	**30 June 2017**	31 December 2016
Other receivables	**111**	59
Prepayments made	**50**	49
Total other accounts receivable	**161**	108

6. Cash and cash equivalents

Cash and cash equivalents are as follows:

(in thousands of USD)	**30 June 2017**	31 December 2016
Bank balances	**3,623**	7,771
Call deposits	**3000**	-
Total cash and cash equivalents	**6,623**	7,771

The following table represents an analysis of cash and cash equivalents based on Fitch ratings:

	30 June 2017	31 December 2016
(in thousands of USD)		
Bank balances		
AA-	**372**	3,372
A+	**3,251**	4,399
A	**-**	-
	3,623	7,771
Call deposits		
AA-	**3,000**	-
	3,000	-
Total	**6,623**	7,771

7. Equity

Movements in share capital and share premium are as follows:

	Ordinary shares *Number of shares*	Amount *Thousands of USD*
Issued as at 31 December 2007, fully paid	140,630,300	2,813
Issued during 2008	1,698,416	34
Own shares repurchased and cancelled during 2008	(8,943,000)	(179)
Outstanding as at 31 December 2008, fully paid	133,385,716	2,668
Own shares repurchased and cancelled during 2009	(15,669,201)	(314)
Outstanding as at 31 December 2009, fully paid	117,716,515	2,354
Outstanding as at 31 December 2010, fully paid	117,716,515	2,354
Own shares repurchased and cancelled during 2011	(8,355,000)	(167)
Outstanding as at 31 December 2011, fully paid	109,361,515	2,187
Outstanding as at 31 December 2012, fully paid	109,361,515	2,187
Outstanding as at 31 December 2013, fully paid	109,361,515	2,187
Outstanding as at 31 December 2014, fully paid	109,361,515	2,187
Outstanding as at 31 December 2015, fully paid	109,361,515	2,187
Outstanding as at 31 December 2016, fully paid	109,361,515	2,187
Outstanding as at 30 June 2017, fully paid	**109,361,515**	**2,187**

The share capital of the Company consists of an unlimited number of ordinary shares of £0.01 each. All ordinary shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

As part of an initial public offering on 1 June 2007 104,000,000 ordinary shares were sold to certain institutional investors at a price of USD 2.00 per ordinary share, raising gross proceeds of USD 208,000 thousand. In addition 36,630,100 ordinary shares were sold on 29 November 2007 at a price of USD 2.73 per ordinary share, raising gross proceeds of USD 100,000 thousand. The difference between net proceeds per share and par value is recognised as share premium.

During 2008 the Company issued 1,698,416 new ordinary shares at a price of USD 2.60 per ordinary share to settle 70 % of the manager's performance fee for 2007 in the amount of USD 4,432 thousand.

Following the extraordinary general meetings of members of the Company on 31 July 2008 and 1 December 2008, 11,948,000 of its own shares were authorised for repurchase by the Company and were cancelled. The purchase price of repurchased shares ranged from USD 0.50 to USD 1.47 per share. The difference between the total price paid and par value is recognised as a share premium decrease.

Following the extraordinary general meeting of members of the Company on 29 May 2009, 12,664,201 of its own shares were authorised for repurchase by the Company and were cancelled. The purchase price of repurchased shares ranged from USD 0.53 to USD 0.68 per share. The difference between the total price paid and par value is recognised as share premium decrease.

Following the extraordinary general meetings of members of the Company on 9 November 2011 and 12 December 2011, 8,355,000 of its own shares were repurchased by the Company and were cancelled. The purchase price of repurchased shares ranged from USD 0.48 to USD 0.63 per share. The difference between the total price paid and par value is recognised as share premium decrease.

Dividends

On 24 December 2014 following the adoption of the new investing policy in early 2014 and an assessment of the Company's working capital requirements, the Board of Directors decided to declare a dividend of USD 0.055 per Ordinary Share, which was in accordance with its investing policy of distributing surplus funds to the Company's shareholders.

On 29 January 2016 following review of the Company's performance in 2015 and the re-assessment of the Company's working capital needs, the Board of Directors of the Company decided to make a distribution of USD 6,014 thousand, or USD 0.055 per ordinary share, to its shareholders.

8. Other accounts payable

Other accounts payable are as follows:

(in thousands of USD)	**30 June 2017**	31 December 2016
Management fees (note 9)	**625**	850
Other payables and accrued expenses	**53**	92
Advances received	**30**	30
Total other accounts payable	**708**	972

9. Management and performance fees

Management and performance fees for the 6 months ended 30 June are as follows:

(in thousands of USD)	**6 months ended 30 June 2017**	6 months ended 30 June 2016
Management fee	**625**	850
Performance fee	**-**	211
Total management and performance fees	**625**	1,061

Unpaid management and performance fees as at 30 June 2017 amounted to USD 625 thousand (2016: USD 1,061 thousand) (note 8).

Initial Management Agreement

The Company entered into a management agreement dated 16 May 2007 (the Management Agreement) with Dragon Capital Partners Ltd (the Manager) pursuant to which the latter has agreed to provide advisory, management and monitoring services to the Company. The Company may terminate the Manager's appointment on at least 6 months written notice expiring on or after the fifth anniversary of admission to AIM, or without written notice subject to certain criteria.

In consideration for its services thereunder, the Manager was entitled to be paid an annual management fee of 1.5% of the gross asset value of the Company at the end of the relevant accounting period or part thereof plus value added tax or similar taxes which may be applicable. In addition, the Manager was entitled to performance fees based on the net asset value (NAV) growth.

Second Revised Management Agreement

On 23 April 2010 the Board approved changes to the Management Agreement between the Manager and the Company effective as at 31 December 2009 (Second Revised Management Agreement). The performance fee was divided into two parts. One is based on NAV growth, and the second on share price growth. Therefore, prior to the Second Revised Management Agreement the Manager was entitled to an annual performance fee of 20% of the amount of such increase in NAV growth in excess of 10%, and under the Second Revised Management Agreement the Manager is entitled to 10% of the amount of such increase in NAV growth in excess of 10%. The other performance fee of 10% is calculated based on the amount by which the final share price growth exceeds 10% from the base share price set at GBP 1.085 per share.

Since 1 December 2011 the Second Revised Management Agreement was subject to termination with six months' notice by either party.

Third Management Agreement and Fourth Revised Management Agreement

On 17 February 2014 an Extraordinary General Meeting of the shareholders approved a revision of the Management Agreement (Third Management Agreement) and accordingly the Company entered into a new management agreement with DCM Limited (the company which replaced Dragon Capital Partners Limited as the Manager).

On 16 November 2016 the Board announced certain modifications to the existing management arrangement (the Fourth Revised Management Agreement). The Fourth Revised Management Agreement became effective on 1 January 2017 and will expire on 31 December 2018.

The Directors (excluding Tomas Fiala who is a related party as explained in detail in note 15) believe that the proposed changes incorporated into the Fourth Revised Management Agreement will continue to incentivise the Manager to:

- maximise the disposal proceeds of the Company's properties; and
- achieve the best possible sales value for each property in order to maximise the cash returns to shareholders that would result in the Manager maximising the proposed performance fee payable under the Fourth Revised Management Agreement.

The Fourth Revised Management Agreement has changed certain provisions of the management fee of the Third Management Agreement and a summary of those changes is presented below:

Management fee

The management fee under the Third Management Agreement changed from a fee of 1.5 per cent of Gross Asset Value to a fixed amount as follows and Fourth Revised Management Agreement modified the fees for 2017 and 2018:

- 1 January 2013 – 30 June 2013: USD 1.25 million
- 1 July 2013 – 31 December 2013: USD 1.25 million
- 1 January 2014 – 31 December 2014: USD 2.5 million
- 1 January 2015 – 31 December 2015: USD 2.1 million
- 1 January 2016 – 31 December 2016: USD 1.7 million
- 1 January 2017 – 31 December 2017: USD 1.25 million under the terms of Fourth Revised Management Agreement (reduced from USD 1.5 million under the Third Revised Management Agreement).
- 1 January 2018 – 31 December 2018: USD 1.0 million under the terms of Fourth Revised Management (reduced from USD 1.4 million under the Third Revised Management Agreement).

Included as part of the terms of the Fourth Revised Management Agreement, if the Company sells the right to the development of the third phase of Obolon Residences, the management fee will be reduced to USD 1.0 million per annum in the year of such sale.

The management fee under the Fourth Revised Management Agreement is payable in cash, semi-annually in July and January of each year, within 10 business days after the end of the relevant period.

Performance fee

The performance fee under the Third Management Agreement changed from one which was calculated in two parts, being an increase in NAV and also an increase in share price performance, to the following, based on distributions to shareholders:

- in relation to distributions up to threshold 1, a fee of 3.5 percent of such distributions;
- in relation to distributions from threshold 1 to threshold 2, a fee of 7 percent of such distributions; and
- in relation to distributions in excess of threshold 2, a fee of 10 percent of such distributions.

Thresholds 1 and 2 are equal to USD 50 million and USD 75 million respectively.

The Performance Fee in the Fourth Revised Management Agreement cancelled all references to the threshold 1 and 2 and replaced it with a fixed performance fee of 5 percent of all distributions to DUPD shareholders. Distributions will continue to include cash dividends, share buy backs and other returns of capital, and also in-specie distributions.

The performance fee under the Third Management Agreement and the Fourth Revised Management Agreement is payable in cash (or in the case of a distribution that is a distribution in specie, payable by the transfer to the Manager of the appropriate proportion of the financial instrument that is the subject of the distribution), simultaneously with the distributions to which they relate.

The total management fee for the 6 months ended 30 June 2017 is USD 625 thousand (6 months ended 30 June 2016: USD 850 thousand). There is no performance fee for the 6 months ended June 2017 that has to be paid to the Company (6 months ended 30 June 2016: USD 211 thousand).

10. Net loss from financial assets at fair value through profit or loss

Net loss from financial assets at fair value through profit or loss 6 months ended 30 June is as follows:

(in thousands of USD)	**6 months ended 30 June 2017**	6 months ended 30 June 2016
Interest income	**8,018**	8,073
Loss from loans receivable at fair value through profit or loss	**(8,294)**	(9,152)
Net loss from loans receivable at fair value through profit or loss	(276)	(1,079)
Gain/(Loss) on equity investments at fair value through profit or loss	**2,470**	(1,733)
Gain (loss) from other receivables at fair value through profit and loss	**36**	(1,733)
Net gain\(loss) from financial assets at fair value through profit or loss	**2,230**	(2,812)

11. Administrative expenses

Administrative expenses for the 6 months ended 30 June are as follows:

(in thousands of USD)	**6 months ended 30 June 2017**	6 months ended 30 June 2016
Professional services	**90**	109
Audit fees	**4**	37
Directors' fees (note 15(a))	**49**	44
Advertising	**35**	26
Insurance	**9**	9
Bank charges	**2**	2
Travel expenses	**2**	-
Other	1	-
Total administrative expenses	**193**	226

12. Contingencies

(a) Litigation

The Company is involved in various legal proceedings in the ordinary course of business but Directors consider that none of them require provisions or could result in material losses for the Company.

(b) Taxation contingencies

The Company is not subject to any tax charges within Isle of Man jurisdiction, however the Company's investees perform most of their operations in Ukraine and are therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation, which may be applied retrospectively, be open to wide interpretation and in some cases conflict with other legislative requirements. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ukrainian Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are empowered 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.

The Directors believe that the Company has adequately assessed tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions for the purpose of assessment of the Company's assets fair value. However, the interpretations of the relevant authorities could differ and the effect on the financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Litigation with tax authorities

During 2017 the Company's investee PrJSC "Dom byta "Obolon" (Obolon Residences project) is involved in litigation with tax authorities with respect to financial sanctions amounting to USD 130 thousand imposed as a result of tax inspection. The management believes that the case initiated by the tax inspection has no grounds and thus has decided seek protection of its rights in the court. Respective provision for the full amount of sanction has not been recognized in the investee's accounts as management assess potential risk of penalty as low.

(d) Insurance

The Company and its investees do not have full coverage for the property, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to the operations of the Company and its investees. For the real estate projects, the Company uses subcontractors who are responsible for insuring those risks until the time the property is commissioned. Until the Company and its investees obtain adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(e) Contingent liabilities

On 16 December 2014 the Company entered into a framework agreement with Cheriton Overseas Ltd, a British Virgin Island entity. In accordance with the framework agreement, the Company sold, and Cheriton Overseas Ltd acquired, the right to finance construction and sell constructed immovable property comprising the Second Stage of Obolon Residences project for the consideration of USD 5,000 thousand. The Parties agreed that Cheriton Overseas Ltd shall pay consideration in four instalments amounting to USD 1,250 thousand each at the end of each quarter in 2015 which were received according to schedule. However, the Company's investee continues to administer and to develop the Second Stage of Obolon Residences project. In particular, the Company's investee continues to bear all construction costs and receive prepayments from the customers for residential and non-residential properties related to the Second Stage of Obolon Residences project. Cash received from the customers could be used for partial financing of the construction by the Company's investee. Although Cheriton Overseas Ltd is obliged to compensate to the Company any net expenditure relating to the development of the Second Stage of Obolon Residences project, the Company's investee continues to bear potential tax, credit and other risks in connection with the construction and sales of properties relating to this project.

13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the financial statements is based upon the net gain for the 6 months ended 30 June 2017 attributable to the ordinary shareholders of the Company of USD 1,410 thousand (6 months ended 30 June 2016: net loss USD 3,502 thousand) and the weighted average number of ordinary shares outstanding, calculated as follows:

	6 months ended 30 June 2017	6 months ended 30 June 2016
(number of shares weighted during the period outstanding)		
Shares issued on incorporation on 23 February 2007	**2**	2
Sub-division of GBP 1 shares into GBP 0.01 shares on 16 May 2007	**198**	198
Shares issued on 1 June 2007	**104,000,000**	104,000,000
Shares issued on 29 November 2007	**36,630,100**	36,630,100
Shares issued on 24 April 2008	**1,698,416**	1,698,416
Own shares buyback in 2008	**(8,943,000)**	(8,943,000)
Own shares buyback in 2009	**(15,669,201)**	(15,669,201)
Own shares buyback in 2011	**(8,355,000)**	(8,355,000)
Weighted average number of shares for the year	**109,361,515**	109,361,515

Diluted earnings per share

As at 30 June 2017 and 31 December 2016 there were no options or warrants in issue. Therefore, there was no dilution on the Company's basic earnings per share.

14. Fair values and financial risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Management believes that fair value of cash and cash equivalents, other accounts receivable and other accounts payable approximates their carrying amount.

		Carrying amount				Fair value			
(in thousands of USD)	*Note*	**Designated at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2017									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*4*	**43,020**	-	-	43,020	-	-	**43,020**	43,020
		43,020	-	-	43,020	-	-	**43,020**	43,020
Financial assets not measured at fair value									
Cash and cash equivalents	*6*	-	**6,623**	-	**6,623**				
Other accounts receivable	*5*	-	**161**	-	**161**				
		-	**6,784**	-	**6,784**				
Financial liabilities not measured at fair value									
Other accounts payable	*8*	-	-	**708**	**708**				
		-	-	**708**	**708**				

		Carrying amount				Fair value			
(in thousands of USD)	*Note*	**Designated at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2016									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*4*	40,779	-	-	40,779	-	-	40,779	40,779
		40,779	-	-	40,779	-	-	40,779	40,779
Financial assets not measured at fair value									
Cash and cash equivalents	*6*	-	7,771	-	7,771				
Other accounts receivable	*5*	-	108	-	108				
		-	7,879	-	7,879				
Financial liabilities not measured at fair value									
Other accounts payable	*8*	-	-	972	972				
		-	-	972	972				

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used for Level 3 fair values, are disclosed in the following relevant notes:

- Note 4 – Financial assets at fair value through profit and loss

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Note	**Financial assets at fair value through profit or loss**
(in thousands of USD)		
Balance at 1 January 2016		43,625
Loss included in profit or loss		
Interest income	*10*	8,073
Loss on investments at fair value through profit or loss	*10*	(1,733)
Loss from loans receivable at fair value through profit or loss	*10*	(8,568)
Cost of disposal of investment in Henryland Group Ltd		-
Loans granted		(112)
Balance at 30 June 2016		**41,285**
Balance at 1 January 2017		**40,779**
Loss included in profit or loss		
Interest income	*10*	8,018
Gain on investments at fair value through profit or loss	*10*	2,470
Loss from loans receivable at fair value through profit or loss	*10*	(8,294)
Loans repaid		47
Balance at 30 June 2017		**43,020**

(c) Financial risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. The Company does not hedge its exposure to such risks. As stated in note 1(b) to these financial statements the political and economic situation has deteriorated significantly. Further deterioration could negatively impact the results and financial position in a manner not currently determinable.

(i) Risk management policy

The Board has assessed major risks and grouped them in a register of significant risks. This register is reviewed by the Board at least twice per year or more often if there are circumstances requiring such a review.

(ii) Credit risk

Loans receivable

The Company issues loans to its subsidiaries. All these loans are unsecured and are stated at fair value in these financial statements. Recoverability of these loans receivable depends on timely realisation of the real estate projects (see note 4). As at 30 June 2017, USD 23,228 thousand, or 62% of the total loans receivable, are due from four counterparties, which further invest in the Obolon Residences and Land Bank projects (31 December 2016: USD 24,311 thousand, or 65%).

Other accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The exposure to credit risk is approved and monitored on an ongoing basis individually for all significant counterparties.

The Company does not require collateral in respect of other accounts receivable.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of other accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. At the reporting date the Company had no such collective impairment provision.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

(in thousands of USD)	**30 June 2017**	31 December 2016
Loans receivable from investees	**37,353**	37,582
Cash and cash equivalents	**6,623**	7,771
Other accounts receivable	**161**	108
	44,137	45,461

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities as at 30 June 2017:

(in thousands of USD)	**Carrying amount**	**Contractual cash flows** **Total**	**Within one year**	**2-5 years**	**More than 5 years**
Other accounts payable	**708**	**708**	**708**	**-**	**-**
	708	**708**	**708**	**-**	**-**

The following are the contractual maturities of financial liabilities as of 31 December 2016:

(in thousands of USD)	Carrying amount	Contractual cash flows Total	Within one year	2-5 years	More than 5 years
Other accounts payable	972	972	972	-	-
	972	972	972	-	-

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Fair value of loans receivable at fair value through profit or loss depends on fair values of underlying real estate projects (see note 4(b)), therefore fair values are not directly impacted by change in interest rates.

Foreign currency risk

The majority of the Company's income, expenses, assets and liabilities are denominated in US dollars. However, the underlying cash flows of the Company's investees are denominated in Ukrainian hryvnias. Though the Company attempts to peg its revenues to US dollar in the depressed economy it is not always possible to recover in full the effect of Ukrainian hryvnia devaluation. Weakening of the Ukrainian hryvnia would have resulted in decrease in fair value of loans receivable.

(d) Capital management

The Directors seek to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved by efficient cash management and constant monitoring of investment projects.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Buy decisions are made on a specific transaction basis by the Board within the limits approved by the Company's shareholders. The Company does not have a defined share buy-back plan.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

15. Related party transactions

(a) Transactions with management and close family members

(i) Directors' remuneration

Directors' compensation included in the statement of comprehensive income for the 6 months ended 30 June is as follows:

(in thousands of USD)	**6 months ended 30 June 2017**	6 months ended 30 June 2016
Directors' fees	**49**	44
Reimbursement of travel expense	**2**	-
Total management remuneration	**51**	44

(ii) Key management personnel and director transactions

The Directors' interests in shares in the Company are as follows:

	30 June 2017		31 December 2016	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %
Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director) *	**35,794,789**	**32.73**	19,433,129	17.77
	35,794,789	**32.73**	19,433,129	17.77

* Dragon Capital Group holds its shares in the Company through nominee shareholder, Vidacos Nominees Limited as at 30 June 2017 and 31 December 2016.

Mr Tomas Fiala, one of the Company’s directors, is the principal shareholder and managing director of Dragon Capital Group which acquired 6,831,500 shares (6.25%) of the Company during the first (June 2007) and second (November 2007) share issues. Also Mr Tomas Fiala is a director in Dragon Capital Partners which received 1,698,416 (1.55%) ordinary shares at a price of USD 2.60 per ordinary share to settle 70 % of the Manager's performance fee for 2007 in the amount of USD 4,432 thousand.

Through a series of market purchases in 2011 (totalling 1,274,153 ordinary shares) and 2012 (totalling 6,281,158 ordinary shares) the holding of Dragon Capital Group in the Company has increased to 16,085,227 ordinary shares or 14.71% of the Company’s issued shares as at 31 December 2012.

During 2013 the Dragon Capital Group made additional market purchases of 2,842,595 shares in the Company, which resulted in a total shareholding of 18,927,822 ordinary shares, or 17.31% of the Company’s issued share capital being the Dragon Capital Group shareholding at the reporting date.

In 2016 Dragon Capital Group sold 71,251 and purchased 576,558 ordinary shares bringing its shareholding to 19,433,129 or 17.77 % of the issued share capital.

On 23 February 2017 the Company received notification from Dragon Capital (which together with the Company’s Investment Manager DCM Limited is a part of Dragon Capital Group) that on 21 February 2017 Dragon Capital purchased 4,674,460 ordinary shares. Following this share purchase, Dragon Capital Group held 24,107,589 shares representing 22.04% of the issued share capital of the Company.

On 30 May 2017 the Company received notification from Dragon Capital Investments (which together with the Company’s Investment Manager DCM Limited is a part of Dragon Capital Group) that on 29 May 2017 Dragon Capital Investments purchased 11,687,200 ordinary shares. Following this share purchase, Dragon Capital Group holds 35,794,789 shares representing 32.73% of the issued share capital of the Company.

(b) Transactions with subsidiaries

Outstanding balances with subsidiaries are as follows:

(in thousands of USD)	**30 June 2017**	31 December 2016
Loans receivable	**37,353**	37,582
Other accounts receivable	**281**	281
Allowance for impairment of other accounts receivable	**(245)**	(281)
	37,389	37,582

Profit or loss transactions with subsidiaries during the 6 months ended as at 30 June are as follows:

(in thousands of USD)	**6 months ended 30 June 2017**	6 months ended 30 June 2016
Interest income	**8,018**	8,073
Loss from loans receivable at fair value through profit or loss	**(8,294)**	(9,152)
Gain (loss) from other receivables at fair value through profit and loss	**36**	-
	(240)	(1,079)

(c) Other related parties transactions

Other related parties are represented by the Company's Manager, DCM Limited (see note 9)

Outstanding balances with DCM Limited are as follows:

(in thousands of USD)	**30 June 2017**	31 December 2016
Management fee	**625**	850
Performance fee	**-**	211
	625	1,061

Expenses incurred in transactions with DCM Limited are as follows:

(in thousands of USD)	**6 months ended 30 June 2017**	6 months ended 30 June 2016
Management fee	**625**	850
	625	850

16. Events subsequent to the reporting date

Following the purchase by Dragon Capital Investments of 11,687,200 ordinary shares of the Company on 29 May 2017, Dragon Capital Group crossed the 30% shareholding threshold and was required to announce a mandatory cash offer in accordance with the City Code on Takeovers and Mergers.

On 8 June 2017, Dragon Capital Investments announced its firm intention to make a mandatory cash offer for all of the shares of the Company which the Dragon Capital Group did not already own at a price of 13 pence per Company share (the "Offer"). On 27 June 2017, Dragon Capital Investments increased the Offer to 15 pence per Company share. The offer document in relation to the Offer was posted to the Company's shareholders on 27 June 2017.

On 18 July 2017, Dragon Capital Investments had received valid acceptances from Company shareholders in respect of 29,067,044 Company shares, representing 26.58 per cent of the existing issued share capital of the Company as a result of which Dragon Capital Group had become interested in 64,861,833 Company shares representing approximately 59.31 per cent of the issued share capital of the Company and declared the Offer wholly unconditional.

On that date the Offer was extended until 1.00 p.m. on 1 August 2017 ("the Closing Date").

As at the Closing Date, Dragon Capital Investments had received valid acceptances from the Company's Shareholders in respect of 30,366,503 shares, representing 27.77 per cent. of the existing issued share capital as a result of which Dragon Capital Group had acquired 66,161,292 Company shares representing approximately 60.5 per cent of the issued share capital of the Company.

In addition to the Company shares acquired under the Offer, Dragon Capital Group had made purchases on 24, 25 and 26 July totalling 112,675 Company shares. As a result of those transactions in total Dragon Capital Group held 66,273,967 Company shares representing approximately 60.6 per cent. of the issued share capital of the Company.

Additionally on 9 August 2017 Dragon Capital Group purchased 333,367 Company shares. Following this purchase, Dragon Capital Group now holds 66,607,334 ordinary shares representing 60.91% of the issued share capital of the Company.