This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014.

18 September 2018

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

Results for the period ended 30 June 2018

Dragon-Ukrainian Properties & Development plc, a leading investor in the real estate sector in Ukraine, is pleased to announce its results for the period ended 30 June 2018.

Highlights

Operational Highlights

- The Company continues to follow its investing policy as approved by the EGM in February 2014
- The Company has received all outstanding payments for the sale of Obolon project as per contract obligations
- Green Hills, the suburban gated community, continues to capitalize on its high quality and leading position in the market recording further sales and improvements to the community infrastructure
- A new sale was recorded in the suburban club community Riviera Villas, further improvements were made to the infrastructure
- Positive outlook for the operational results of Arricano for 1HY 2018 based on trends in the commercial real estate market

Financial Highlights

- Total NAV of USD 33.7 million as of 30 June 2018 (down from USD 42.8 million as of 31 December 2017). Decrease in NAV is attributed to the USD 9.8 million distributions made to shareholders
- Cash balance of USD 5.0 million (compared to USD 9.2 million as of 31 December 2017); significant decrease in cash balance is due to USD 9.8 million distribution paid to shareholders. Company has no leverage
- DUPD recorded a USD 0.7 million profit from operating activities for the period ending 30 June 2018 (2017: USD 1.4 million profit)
- USD 9.8 million distributions were made to shareholders in line with the Company's investment policy

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Statement of financial position as at 30 June 2018

(in thousands of USD)	*Note*	**30 June 2018**	31 December 2017
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	*4*	**29,344**	30,258
Total non-current assets		**29,344**	30,258
Current assets			
Receivables from sale of Obolon Residences project		**-**	3,999
Other accounts receivable	*5*	**87**	116
Cash and cash equivalents	*6*	**5,018**	9,202
Total current assets		**5,105**	13,317
Total assets		**34,449**	43,575
Equity and Liabilities			
Equity			
Share capital	*7*	**2,187**	2,187
Share premium		**261,408**	271,251
Accumulated losses		**(229,856)**	(230,605)
Total equity		**33,739**	42,833
Current liabilities			
Other accounts payable	*8*	**710**	742
Total current liabilities		**710**	742
Total liabilities		**710**	742
Total equity and liabilities		**34,449**	43,575

Statement of financial position as at 30 June

These financial statements were approved by the board of Directors (the Board) on 17 September 2018 and were signed on its behalf by:

Non-executive Chairman Mark Iwashko

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on the following pages.

Statement of comprehensive income for the 6 months ended 30 June

(in thousands of USD)	*Note*	**6 months 2018**	6 months 2017
Net gain from financial assets at fair value through profit or loss	*10*	**1,976**	2,230
Management and Performance fee	*9*	**(992)**	(625)
Administrative expenses	*0*	**(243)**	(193)
Other income		**10**	-
Other expenses		**(54)**	(9)
Total operating gain		**697**	1,403
Finance income		**57**	7
Finance costs		**(5)**	-
Gain for the 6 months		**749**	1,410
Net gain and total comprehensive gain for the 6 months		**749**	1,410
Gain per share			
Basic gain per share (in USD)	*13*	**0.01**	0.01
Diluted gain per share (in USD)	*13*	**0.01**	0.01

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

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on the following pages.

Statement of cash flows for the 6 months ended 30 June

(in thousands of USD)	*Note*	6 months 2018	6 months 2017
Cash flows from operating activities			
Gain for the 6 months		**749**	1,410
Adjustments for:			
Net gain from financial assets at fair value through profit or loss	*10*	**(1,976)**	(2,230)
Finance cost		**2**	-
Finance income		**(57)**	(7)
Loans granted		**(192)**	(43)
Loans repaid		**3,080**	5
Operating cash flows before changes in working capital		**1,606**	(865)
Change in other accounts receivable		**29**	(17)
Change in other accounts payable		**(32)**	(266)
Cash flows (used in)/from operating activities		**1,603**	(1,148)
Cash flows from financing activities			
Distribution to Shareholders	*7*	**(9,843)**	-
Proceed from assignment of outstanding loan due to the Company		**3,999**	-
Interest received		**57**	-
Cash flows used in financing activities		**(5,787)**	-
Net change in cash and cash equivalents		**(4,184)**	(1,148)
Cash and cash equivalents at 1 January		**9,202**	7,771
Effect of foreign exchange fluctuation on cash balances		**-**	-
Cash and cash equivalents at 30 June		**5,018**	6,623

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on the following pages.

Statement of changes in equity

(in thousands of USD)	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total
Balances at 1 January 2017	2,187	271,251	(225,752)	47,686
Total comprehensive loss for the year				
Net loss	-	-	(4,853)	(4,853)
Balances at 31 December 2017	**2,187**	**271,251**	**(230,605)**	**42,833**
Total comprehensive gain for the 6 months				
Net gain			**749**	**749**
Transactions with owners of the Company				
Distribution to Shareholders (note 7)	**-**	**(9,843)**	**-**	**(9,843)**
Total Transactions with owners of the Company	**-**	**(9,843)**	**-**	**(9,843)**
Balances at 30 June 2018	**2,187**	**261,408**	**(229,856)**	**33,739**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements set out on the following pages.

Notes to the financial statements

1. Background

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.

(a) Business environment

The Company's operations are primarily located in Ukraine. The political and economic situation in Ukraine has been subject to significant turbulence in recent years and demonstrates characteristics of an emerging market. Consequently, operations in the country involve risks that do not typically exist in other markets.

In March 2014 the Autonomous Republic of Crimea (Crimea) was annexed by the Russian Federation and this annexation is not recognised by the international community. This event resulted in a significant deterioration of political and economic relationships between Ukraine and the Russian Federation. Following the annexation of Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily to the parts of Donetsk and Lugansk regions. In May 2014, unrest escalated into military clashes and armed conflict between armed supporters of the self-declared republics of Donetsk and Lugansk regions and the Ukrainian army forces. As at the date these financial statements were authorised for issue part of Donetsk and Lugansk regions is not controlled by the Ukrainian authorities and as a result the Ukrainian authorities are not currently able to fully enforce Ukrainian laws in this territory. The economy started to recover in 2016, following a deep slump in 2014-2015 caused by military tensions in Eastern Ukraine and economic misbalances accumulated in previous years. Real GDP grew 2.4% y-o-y in 2016 and 2.5% in 2017. Economic recovery was driven by domestic demand, including revival of private investment. Investment in fixed capital surged by +22% y-o-y in 2017, on top of 18% in 2016. Investment growth was broad-based with industry, agriculture, trade and real estate contributing the most. Private consumption also gained momentum in 2017 advancing by +7.8% y-o-y on the back of 19% of real salaries growth and increase in pension spending.

Currency stabilization and prudent monetary and fiscal policy helped to tame average consumer inflation from 49% in 2015 to 14% in 2016 and 2017. The National Bank of Ukraine adopted an inflation targeting regime and started to gradually relax the strict capital and exchange restrictions imposed in 2014 and 2015, 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 close to this level in 2016 and 2017, helping to reduce debt-to-GDP ratio to 72% in 2017 from 81% 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 2017, 82 banks operated in Ukraine, compared to 180 as at 31 December 2013.

Ukraine's government progressed with structural reforms, including those affecting business environment. The government reduced payroll tax rate by almost twofold in 2016, from average rate of over 40% to unified rate of 22%, introduced electronic system of VAT refund to exporters, significantly reduced number of permits and licensed activities, abolished the obsolete system of mandatory certification of products and eliminated stamps as a mandatory attribute of the legal entity. As a result, Ukraine advanced in the World Bank Doing Business ranking to 76th rank (2018 ranking based on 2017 data), from 112th four years ago.

In August 2017 Moody's upgraded Ukraine's credit rating to Caa2, with a positive outlook, reflecting recent government reforms and improved foreign affairs. Further stabilization of economic and political environment depends on the continued implementation of structural reforms and other factors.

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.

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

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.

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.

Going concern

These financial statements are prepared on a going concern basis. In the 6 months ended 30 June 2018 the Company incurred a net gain of USD 749 thousand (30 June 2017: net gain USD 1,410 thousand) and had positive cash flows from operating activities of USD 1,603 thousand (30 June 2017: negative cash flows from operating activities of USD 1,148 thousand). As at that date the Company's current assets exceeded its current liabilities by USD 4,395 thousand (31 December 2017: USD 12,575 thousand) and its Net Asset Value amounted to USD 33,739 thousand (31 December 2017: USD 42,833 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 2018	**31 December 2017**
Glangate LTD	Cyprus	**Kremenchuk**	**100%**	100%
New Region LLC	Ukraine	**Kremenchuk**	**100%**	100%
Blueberg Trading Limited	British Virgin Islands	**Green Hills**	**100%**	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	**None**	**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%
Development Invest LLC	Ukraine	**Land Bank**	**100%**	100%
K Zatyshna Domivka LLC	Ukraine	**Land Bank**	**100%**	100%
Bi Dolyna Development LLC	Ukraine	**Riviera Villas**	**100%**	100%
EF Nova Oselya LLC	Ukraine	**Riviera Villas**	**100%**	100%
Mountcrest LTD	Cyprus	**None**	**100%**	100%
Riviera Villas LLC	Ukraine	**Riviera Villas**	**100%**	100%
Stenfield Finance Limited	British Virgin Islands	**Riviera Villas**	**100%**	100%
Linkdell LTD	Cyprus	**Sadok Vyshneviy**	**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)).

(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 at amortised cost.

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)).

Financial assets measured at amortised cost

The Company measures financial asset at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company recognises impairment for its financial assets within 'expected credit loss' (ECL) model. This impairment model applies to financial assets measured at amortised cost.

Under the ECL model, loss allowances are measured on either of the following bases:

– *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and

– *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

– bank balances that are determined to have low credit risk at the reporting date; and

– bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

The Company considers a bank balance to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be BBB or higher by Fitch rating, BBB- or higher by Standard and Poor's or Baa3 or higher by Moody's.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

(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.

(m) 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.

(n) 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.

(o) 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.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the six-month period ended 30 June 2018, and have not been applied in preparing these interim financial statements. The Company plans to adopt these standards and interpretations when they become effective. A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted them in preparing these interim financial statements and does not expect that the adoption would have significant on it financial information.

(q) Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

The Company has initially adopted IFRS 9 *Financial Instruments* from 1 January 2018. A number of other new standards are effective from 1 January 2018. None of these standards has a material effect on the Company's financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or 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. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

(in thousands of USD)	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Financial assets at fair value through profit or loss	FVTPL	FVTPL	30,258	30,258
Receivables from sale of development project	Other loans and receivables	Amortised cost	3,999	3,918
Other accounts receivable	Other loans and receivables	Amortised cost	116	116
Cash and cash equivalents	Other loans and receivables	Amortised cost	9,202	9,202
Total financial assets			43,575	43,494

(ii) Impairment of financial 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 does not apply to financial assets measured at FVTPL. 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.

Based on an assessment performed by the Company, adoption of IFRS 9 did not result in any significant changes in the carrying value of the financial assets in the Company's financial statements as at 1 January 2018 arising from application of the new impairment model.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

– The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, if any, are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

– The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

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 2018**	31 December 2017
Equity investments at fair value through profit or loss			
Subsidiaries			
Landzone Ltd	None	-	-
Stenfield Finance Ltd	Riviera Villas	-	-
Mountcrest Ltd	None	-	-
Linkdell Ltd	Financing company	-	-
Glangate Ltd	Kremenchuk	-	-
Blueberg Trading Ltd	Green Hills	-	-
Riverscope Ltd	Land Bank	-	-
Landshere Ltd	Land Bank	-	-
Linkrose Ltd	Green Hills	-	-
		-	-

Other equity investments

Arricano Real Estate plc (note 4(a))	Arricano	**8,725**	6,528
		8,725	6,528

Loans receivable at fair value through profit or loss

		30 June 2018	31 December 2017
Riverscope Ltd	Land Bank	**5,268**	5,274
Linkdell Ltd*	Financing company	**4,871**	7,035
Landshere Ltd	Land Bank	**3,965**	3,966
Linkrose Ltd	Green Hills	**4,479**	5,138
Stenfield Finance Limited	Riviera Villas	**1,042**	1,126
Glangate Ltd	Kremenchuk	**343**	340
Blueberg Trading Limited	Green Hills	**651**	851
		20,619	23,730
		29,344	30,258

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

(in thousands of USD)	**30 June 2018**	31 December 2017
Riviera Villas	**1,929**	2,028
Sadok Vyshneviy	**1,980**	2,224
Obolon Residences	**-**	1,520
Green Hills	**896**	1,199
Kremenchuk	**66**	64
	4,871	7,035

(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 2018 and 2017. Therefore, management used the adjusted net assets method to estimate the fair value of investment in Arricano. The Company's management considers this to be the most appropriate method to estimate the fair value of the Company's investment in Arricano. Under this valuation method Arricano's net assets value as at 31 December 2017 (as per Arricano's published audited financial statements) were adjusted by the same proportion as estimated change of fair value of commercial retail real estate property in Ukraine (Arricano's primary assets) for the six-month period ended 30 June 2018 and multiplied by the Company's share in Arricano's net assets. To assist with the estimation of change in fair value of commercial retail real estate property in Ukraine for the six-month period ended 30 June 2018, the Directors engaged independent appraiser CBRE Ukraine.

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.

(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.

Summary of fair values of respective investment projects is as follows as at 30 June 2018:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Sadok Vyshneviy**	**Land Bank**	**Kremenchuk**	**Total**
Assets						
Investment properties	3,097	3,714		1,410	400	**8,621**
Prepayments for land	-	-	-	7,990	-	**7,990**
Property and equipment	87	198	-	-	-	**285**
Intangible assets	1	-	-	-	-	**1**
Inventories	25	74	880	-	-	**979**
Trade and other receivables	260	2,050	777	-	-	**3,087**
VAT recoverable	106	693	-	-	-	**799**
Prepaid income tax	2	-	25	-	-	**27**
Cash and cash equivalents	309	103	305	7	11	**735**
Total assets	**3,887**	**6,832**	**1,987**	**9,323**	**411**	**22,524**
Deferred tax liabilities	-	-	-	43	-	**43**
Intercompany loans	26,353	33,881	16,624	247,468	13,211	**337,537**
Other long-term payables	-	-	-	-	-	**-**
Trade and other liabilities	914	806	7	132	3	**1,862**
Total liabilities	**27,267**	**34,687**	**16,631**	**247,643**	**13,214**	**339,442**
Net identifiable assets and liabilities	**(23,380)**	**(27,855)**	**(14,644)**	**(238,236)**	**(12,803)**	**(316,918)**
Ownership	**100%**	**100%**	**100%**	**90%**	**100%**	
Nominal amount of loans receivable	**26,353**	**33,881**	**16,624**	**247,468**	**13,211**	**337,537**
Fair value of loans receivable	**2,971**	**6,026**	**1,980**	**9,234**	**408**	**20,619**

Summary of fair values of respective investment projects as at 31 December 2017 are as follows:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshneviy**	**Land Bank**	**Kremenchuk**	**Total**
Assets							
Investment properties	3,338	3,162	-	-	1,410	400	**8,310**
Prepayments for land	-	-	-	-	7,990	-	**7,990**
Property and equipment	85	182	-	-	-	-	**267**
Intangible assets	-	5	-	-	-	-	**5**
Inventories	23	72	-	880	-	-	**975**
Trade and other receivables	350	2,541	-	1,336	-	-	**4,227**
VAT recoverable	97	442	-	-	-	-	**539**
Prepaid income tax	1	-	-	25	-	-	**26**
Cash and cash equivalents	237	1,409	1,520	60	13	8	**3,247**
Total assets	**4,131**	**7,813**	**1,520**	**2,301**	**9,413**	**408**	**25,586**
Deferred tax liabilities	-	-	-	-	61	-	**61**
Intercompany loans	25,899	34,466	1,520	16,934	241,741	12,935	**333,495**
Trade and other liabilities	977	625	-	77	112	4	**1,795**
Total liabilities	**26,876**	**35,091**	**1,520**	**17,011**	**241,914**	**12,939**	**335,351**
Net identifiable assets and liabilities	**(22,745)**	**(27,278)**	**-**	**(14,710)**	**(232,501)**	**(12,531)**	**(309,765)**
Ownership	**100%**	**100%**	**-**	**100%**	**90%**	**100%**	
Nominal amount of loans receivable	**25,899**	**34,466**	**1,520**	**16,934**	**241,741**	**12,935**	**333,495**
Fair value of loans receivable	**3,154**	**7,188**	**1,520**	**2,224**	**9,240**	**404**	**23,730**

To assist with the estimation of fair value of investment properties, prepayments for land and inventories (together "the real estate projects") as at 30 June 2018 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 2018 investment properties were represented by Green Hills, Riviera Villas, Kremenchuk Retail Centres projects and the Land Bank project (82 ha).

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 2018 are as follows:

- monthly rental rates - which were based on estimated rental rates ranging from USD 4 to USD 10 per sq. m.
- development costs based on current construction prices
- average cottage sales price ranging from USD 877 to USD 1,433 per sq. m.
- discount rate from 12% to 22%
- 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.

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 31 December 2017 are as follows:

- monthly rental rates - which were based on estimated rental rates ranging from USD 4 to USD 10 per sq. m.
- development costs based on current construction prices
- average cottage sales price ranging from USD 917 to USD 1,488 per sq. m.
- discount rate – 22%
- 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 481 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 2018 and 2017. 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 characterized 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 2018 and 31 December 2017.

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 2018 are as follows:

- average market prices ranging from USD 41 thousand to USD 125 thousand per ha
- discount rate of 23%
- sales period – from 1 to 7 years

As at 31 December 2017 the respective assumptions were as follows:

- average market prices ranging from USD 43 thousand to USD 124 thousand per ha
- discount rate of 23%
- sales period – from 1 to 7 years

Inventory

As at 30 June 2018 inventory was represented by the gated community Sadok Vyshnevyi (15 constructed flats in townhouses and relevant land plots).

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 2018 are as follows:

- average market price USD 430 per sq. m.
- discount rate 20%
- sales period – from 1 to 3 years

As at 31 December 2017 inventory was represented by the gated community Sadok Vyshnevyi (15 constructed flats in townhouses and relevant land plots).

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 31 December 2017 are as follows:

- average market price USD 430 per sq. m.
- discount rate 20%
- 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 IFRS 9 *Financial Instruments: Recognition and Measurement* and measured at fair value. 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 2018**	31 December 2017
Other receivables	**58**	115
Prepayments made	**29**	1
Total other accounts receivable	**87**	116

6. Cash and cash equivalents

Cash and cash equivalents are as follows:

(in thousands of USD)	**30 June 2018**	31 December 2017
Bank balances	**1,018**	1,502
Call deposits	**4,000**	7,700
Total cash and cash equivalents	**5,018**	9,202

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

	30 June 2018	31 December 2017
(in thousands of USD)		
Bank balances		
AA-	**1,018**	371
A+	**-**	1,131
	1,018	1,502
Call deposits		
AA-	**4,000**	3,000
A+	**-**	4,700
	4,000	7,700
Total	**5,018**	9,202

7. Equity

Movements in share capital and share premium are as follows:

	Ordinary shares	**Amount**
	Number of shares	*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 2018, 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 annulled. 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 annulled. 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.

Distributions to Shareholders

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 is in accordance with its investing policy of distributing surplus funds to the Company's shareholders.

On 29 January 2016 following a 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 distribution of USD 6,014 thousand, or USD 0.055 per ordinary share, to its shareholders.

On 22 March 2018 having reviewed the Company's performance in 2017, including the sale of the remaining interest in the Obolon Residences project, the Board of Directors of the Company has decided to make a distribution of USD 7,655 thousand, or USD 0.07 per Ordinary Share, to its shareholders. This decision was in accordance with the Company's Investing Policy, which states that surplus capital will be returned to shareholders, and was made under Article 127 of Company's Articles of Association.

The relevant record date for the distribution was 3 April 2018, the corresponding ex-distribution date was 29 March 2018, and the distribution was paid to shareholders on 17 April 2018.

On 27 April 2018 the Board of Directors of the Company decided to make an additional distribution of USD 2,187 thousand, or USD 0.02 per Ordinary Share, to its shareholders. This decision was in accordance with the Company's Investing Policy, which states that surplus capital will be returned to shareholders and was made under Article 127 of Company's Articles of Association.

The relevant record date for the distribution was 11 May 2018, the corresponding ex-distribution date was 10 May 2018, and the distribution was paid to shareholders on 16 May 2018.

8. Other accounts payable

Other accounts payable are as follows:

(*in thousands of USD)*	**30 June 2018**	31 December 2017
Management fees (note 9)	**609**	579
Other payables and accrued expenses	**71**	133
Advances received	**30**	30
Total other accounts payable	**710**	742

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 2018**	6 months ended 30 June 2017
Management fee	**500**	**625**
Performance fee	**492**	**-**
Total management and performance fees	**992**	625

Unpaid management and performance fees as at 30 June 2018 amounted to USD 609 thousand (2017: USD 625 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, due to the fact that the Company sold the right to the development of the third phase of Obolon Residences in 2017, the management fee was 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 is 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 2018 is USD 500 thousand (6 months ended 30 June 2016: USD 625 thousand). The total performance fee for the 6 months ended June 2018 is USD 492 thousand (there was no performance fee for the 6 months ended June 2017).

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

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

(in thousands of USD)	**6 months ended 30 June 2018**	6 months ended 30 June 2017
Interest income	**6,933**	8,018
Loss from loans receivable at fair value through profit or loss	**(7,154)**	(8,294)
Net loss from loans receivable at fair value through profit or loss	**(221)**	(276)
Gain on equity investments at fair value through profit or loss	**2,197**	2,470
Gain from other receivables at fair value through profit and loss	**-**	36
Net gain from financial assets at fair value through profit or loss	**1,976**	2,230

11. Administrative expenses

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

(in thousands of USD)	**6 months ended 30 June 2018**	6 months ended 30 June 2017
Professional services	**136**	90
Audit fees	**-**	4
Directors’ fees (note 15(a))	**49**	49
Advertising	**22**	35
Insurance	**24**	9
Bank charges	**2**	2
Travel expenses	**-**	2
Other	**10**	2
Total administrative expenses	**243**	193

12. Contingencies

(a) Litigation

The Company is involved in various legal proceedings in the ordinary course of business but the 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) 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.

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 2018 attributable to the ordinary shareholders of the Company of USD 749 thousand (6 months ended 30 June 2016: net gain USD 1,410 thousand) and the weighted average number of ordinary shares outstanding, calculated as follows:

(number of shares weighted during the period outstanding)	**6 months ended 30 June 2018**	6 months ended 30 June 2017
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 2018 and 31 December 2017 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 2018									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*4*	**29,344**	**-**	**-**	**29,344**	**-**	**-**	**29,344**	**29,344**
		29,344	**-**	**-**	**29,344**	**-**	**-**	**29,344**	**29,344**
Financial assets not measured at fair value									
Cash and cash equivalents	*6*	**-**	**5,018**	**-**	**5,018**				
Other accounts receivable	*5*	**-**	**87**	**-**	**87**				
		-	**5,105**	**-**	**5,105**				
Financial liabilities not measured at fair value									
Other accounts payable	*8*	**-**	**-**	**710**	**710**				
		-	**-**	**710**	**710**				

		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 2017									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*4*	30,258	-	-	30,258	-	-	30,258	30,258
		30,258	-	-	30,258	-	-	30,258	30,258
Financial assets not measured at fair value									
Cash and cash equivalents	*6*	-	9,202	-	9,202				
Receivables from sale of Obolon Residences project		-	3,999	-	3,999				
Other accounts receivable	*5*	-	116	-	116				
		-	13,317	-	13,317				
Financial liabilities not measured at fair value									
Other accounts payable	*8*	-	-	742	742				
		-	-	742	742				

(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 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 granted		47
Balance at 30 June 2017		43,020
Balance at 1 January 2018		**30,258**
Loss included in profit or loss		
Interest income	*10*	**6,933**
Gain on investments at fair value through profit or loss	*10*	**2,197**
Loss from loans receivable at fair value through profit or loss	*10*	**(7,154)**
Loans repaid		**(2,890)**
Balance at 30 June 2018		**29,344**

(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 2018 USD 9,233 thousand, or 45% of the total loans receivable, are due from two counterparties, which further invest in Land Bank projects (31 December 2017: USD 9,240 thousand, or 39%).

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 2018**	31 December 2017
Loans receivable from investees	**20,619**	23,730
Cash and cash equivalents	**5,018**	9,202
Receivables from sale of Obolon Residences project	**-**	3,999
Other accounts receivable	**30**	116
	25,667	37,047

(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 2018:

(in thousands of USD)	Carrying amount	Contractual cash flows			
		Total	**Within one year**	**2-5 years**	**More than 5 years**
Other accounts payable	**710**	**710**	**710**	**-**	**-**
	710	**710**	**710**	-	-

The following are the contractual maturities of financial liabilities as of 31 December 2017:

(in thousands of USD)	Carrying amount	Contractual cash flows			
		Total	Within one year	2-5 years	More than 5 years
Other accounts payable	742	742	742	-	-
	742	742	742	-	-

(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.

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 2018**	6 months ended 30 June 2017
Directors' fees	**49**	49
Reimbursement of travel expense	**-**	2
Total management remuneration	**49**	51

(ii) Key management personnel and director transactions

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

	30 June 2018		31 December 2017	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %
Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director) *	**66,607,334**	**60.91**	66,607,334	60.91
	66,607,334	**60.91**	66,607,334	60.91

* Dragon Capital Group holds its shares in the Company through nominee shareholder, Euroclear Nominees Limited as at 30 June 2018 and 31 December 2017.

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 end of 2013.

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 at the end of 2016.

During 2017, as the result of series of market share purchases Dragon Capital Group acquired in total 47,174,205 ordinary shares of the Company, which resulted in a total shareholding of 66,607,334 shares representing 60.91% of the issued share capital of the Company.

(iii) Transactions with subsidiaries

Outstanding balances with subsidiaries are as follows:

(in thousands of USD)	**30 June 2018**	31 December 2017
Loans receivable	**20,619**	23,730
Other accounts receivable	**213**	213
Allowance for impairment of other accounts receivable	**(213)**	(213)
	20,619	23,730

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 2018**	6 months ended 30 June 2017
Interest income	**6,933**	8,018
Loss from loans receivable at fair value through profit or loss	**(7,154)**	(8,294)
Gain (loss) from other receivables at fair value through profit and loss	**-**	36
	(221)	(240)

(b) 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 2018**	31 December 2017
Management fee	**500**	579
Performance fee	**109**	-
	609	579

Expenses incurred in transactions with DCM Limited are as follows:

(in thousands of USD)	**6 months ended 30 June 2018**	6 months ended 30 June 2017
Management fee	**500**	625
Performance fee	**492**	-
	992	625

16. Events subsequent to the reporting date

No material events took place after the reporting date.