9 June 2015

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

Results for the year ended 31 December 2014

Dragon-Ukrainian Properties & Development plc, a leading investor in the real estate sector in Ukraine, is pleased to announce its final results for the year ended 31 December 2014.

Highlights

Operational Highlights

- The most challenging year for Ukraine since gaining independence in 1991. DUPD's assets are not directly affected by the arms conflict in the East of Ukraine

- The Company generated a record USD 20.4 million in contracted sales and USD 17.6 million in cash proceeds in 2014 from residential projects

- Almost all funds from the sale of the Henryland project were received in 2014 and the Company made its first ever distribution to shareholders

- In the Obolon Residences project, the right to develop the second stage is sold for USD 5 million in cash

- In Arricano, a positive ruling was obtained from the London Court of International Arbitration. Arricano Group opened new shopping mall Prospekt in Kyiv and the second stage of South Gallery in Simferopol

Financial Highlights

- Total NAV of USD 92.4 million at 31 December 2014 (down from USD 168.5 million as of 30 December 2013)

- Cash balance of USD 16.5 million (compared to USD 22.1 million as of 31 December 2013)

- Net loss from operating activities USD 70.2 million, mostly driven by fair value loss on company projects due to lower prices on comparable properties in the market, longer sales periods and higher discount rates used in valuations (31 December 2013 loss from operating activities USD 29.5 million)

Mark Iwashko, non-executive Chairman of the Company, commented:

DUPD's principal objective remains the orderly realization of the Company's properties and return of surplus cash to its shareholders. It is clear that under the current economic and political conditions in Ukraine this will not be an easy objective to achieve in the near term. We do not foresee a quick recovery for the real estate market in Ukraine that will allow rapid monetization of DUPD's portfolio of properties.

While it is difficult to foresee a clear and final resolution to the conflict in eastern Ukraine in the near future, we are hopeful that the continued attention and diplomatic efforts of world leaders leads to its stabilization in 2015. In the meantime, we are cautiously optimistic that support from the IMF and other donors and the economic reforms that are currently underway in Ukraine lead to macroeconomic stabilization in the near term and a return to GDP growth as early as 2016.

For further information, please contact:

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Chairman's Statement

2014 was probably the most challenging year for Ukraine since gaining independence in 1991. The Euromaidan movement that began as a peaceful protest in November 2013 when then-President Victor Yanukovych chose not to sign a political association and free trade agreement with the European Union turned violent in early 2014 and culminated in the ousting of the Yanukovych regime in February. In the aftermath, Russia annexed the internationally recognized Ukrainian territory of Crimea while pro-Russian unrest in some of Ukraine's south-eastern regions ultimately led to armed conflict between the Ukrainian government and Russia-backed separatists in the industrial region of Donbas. By the time Ukrainians rallied to elect a western leaning and pro-business President, Petro Poroshenko, and the newly elected Parliament installed a technocrat dominated, reform minded government a full blown economic crises was underway.

As a consequence of the events, GDP decreased by 6.8% and the currency devalued by 48% relative to the US dollar; FDI evaporated and capital controls were put into place to stem capital flight; a banking crises arose as loan losses increased and depositors left the system; inflation accelerated while household disposable income fell; and Ukraine found itself in a deep recession by the end of the year.

Fortunately, most of DUPD's assets (other than one of Arricano's shopping malls that are located in Simferopol) were not directly affected by the events in Crimea or Donbas. However, neither Ukraine's real estate industry nor DUPD's operations were immune to the deep economic crises that took hold in 2014.

Accordingly, the weakening of Ukraine's real estate market has been reflected in DUPD's financial statements via significant decreases in the valuations of our properties. It is therefore all the more remarkable to note and important to emphasize that despite the challenges of the previous year the Company was still able to deliver record cash flows with its four residential projects generating USD 20.4 million in contracted sales and USD 17.6 million in cash proceeds in 2014.

Following the sale of the assets of Henryland to a local strategic buyer for the total consideration of USD 23.7 million (DUPD's share of proceeds was USD 9 million) the Company distributed its first ever dividend in the amount of USD 6 million (USD 0.055 per ordinary share). At the same time, DUPD sold the rights to develop the second phase of the Obolon project to a third party for USD 5 million, to be paid in four quarterly instalments throughout 2015. The landmark agreement has the dual benefit of eliminating the need for DUPD to invest its own funds to monetize the value of the second phase of the project while setting the stage to accumulate cash in the coming year that can be used to make additional distributions to its shareholders.

In other important developments Arricano, one of DUPD's most significant investments (18.6% of the total investments as of 31 December 2014), obtained a positive ruling from the London Court of International Arbitration on the developer's longstanding dispute with Stockman Interhold confirming Arricano's right to buy out Stockman's 50%+1 share in the Kyiv-based SkyMall shopping centre. While other disputes including, but not limited to, Arricano's claim on recovery of incurred losses remain unresolved we anticipate a comprehensive resolution of the conflict by the end of 2015. In the meantime, Arricano Group opened new shopping mall Prospekt in Kyiv and the second stage of South Gallery in Simferopol in 2014 and owned six operating shopping malls with the total GLA of above 200 thousand sq. meters as of the end of the year.

Financial Results

DUPD incurred a USD 70 million loss from operating activities in 2014, USD 66.8 million of which was attributable to the decrease in fair value of Company's projects. The decrease in fair value, in turn, was driven by the lengthening of expected realization periods and increases in the discount rates applied by the appraiser for projects under development and a substantial decrease in comparable prices for the Company's land bank as demand for land for development purposes weakened during course of the year. As a result, the Company's Net Asset Value decreased by USD 76.2 million to US 92.4 million in 2014 in line with the decrease in fair value of company's projects.

While the negative financial results reflect Ukraine's deteriorating macroeconomic conditions and difficult state of Ukraine's finances in 2014, we can similarly expect fair values to rebound once the Ukrainian Government's program of economic reforms take hold and the economy begins to grow again in the coming years.

In the meantime, DUPD's balance sheet remains healthy with a cash balance of USD 16.6 million and no debt at either the holding company level or at any of the projects as of the end of 2014. This will enable the Company to allocate sufficient cash generated from the sale of any properties in 2015 to prudently protect or enhance the value of the most promising projects already under development while promptly distributing further dividends to shareholders in line with our revised investing policy.

Corporate Governance

I joined the Board on 26 November 2014 and took over the role of Non-Executive Chairman on 30 November 2014 after DUPD's decision to reduce the size of the Board and the voluntary resignations of two of its members. On behalf of the Company I would like to take the opportunity to thank Mr. Rory Macnamara for his stewardship over the course of the last year and Mr. Fredrik Svinhufvud for his longstanding service to the Company. Mr. Tomas Fiala and Mr. Aloysius Wilhelmus Johannes van der Heijden, who continues to chair the Audit Committee, remain on the Board maintaining its continuity.

The smaller Board and lower level of its remuneration reflects DUPD's commitment to the tight control of administrative costs at all levels of the Company. At the same time, the weight of the Investment Manager's remuneration continues to shift increasingly to the Performance Fee with the Fixed Management Fee component gradually declining.

Awards

We are pleased to announce that high quality of our projects continued to be recognized by independent third parties both locally and internationally. European Property Awards named Obolon Residences the winner of the "High-Rise Apartment Building" category and Riviera Villas the winner of the "Residential Development Multiple Units" category in 2014 while Green Hills was named "Best Cottage Community" in 2014 by iBuild Ukraine.

Outlook

DUPD's principal objective remains the orderly realization of the Company's properties and return of surplus cash to its shareholders. It is clear that under the current economic and political conditions in Ukraine this will not be an easy objective to achieve in the near term. We do not foresee a quick recovery for the real estate market in Ukraine that will allow rapid monetization of DUPD's portfolio of properties.

As such, the Board will continue to prudently evaluate modest investments to protect or enhance the value and saleability of the Company's most promising projects that are already under development while aggressively seizing opportunities to realise sales as they become economically justified and feasible in the current market environment.

We expect to benefit from lower hard cost of construction in USD terms for projects already under development as a result of the significant devaluation of the Ukrainian hryvnia, partially compensating for lower USD sales prices due to the significant softening of demand. However, we expect sales volumes to continue to be modest until economic growth returns to Ukraine.

We expect 2015 to be an especially challenging year at Arricano as deceased rental rates due to the devaluation of the Ukrainian hryvnia will make it more difficult to service the developer's USD denominated debt. At the same time, we hope to see continued progress in the on-going legal dispute with Stockman and Arricano eventually regaining control over its key asset Sky Mall in Kyiv.

While it is difficult to foresee a clear and final resolution to the conflict in eastern Ukraine in the near future, we are hopeful that the continued attention and diplomatic efforts of world leaders leads to its stabilization in 2015. In the meantime, we are cautiously optimistic that support from the IMF and other donors and the economic reforms that are currently underway in Ukraine lead to macroeconomic stabilization in the near term and a return to GDP growth as early as 2016.

Mark Iwashko
Non-executive Chairman
08 June 2015

Investment Manager's Report

As detailed in our previous annual report, in early 2014 DUPD shareholders approved an investing policy focused on developing and monetizing the existing portfolio of assets rather than making new investments. Operating in the framework of this new policy, we managed to achieve some of the best results in terms of residential sales in 2014, despite the negative impact of the military conflict in the eastern regions of Ukraine on the domestic economy and business and consumer confidence.

Summing up the results of 2014, our four residential projects boast a DUPD record of USD 20.4 million in contracted sales and USD 17.6 million in cash proceeds. The bulk of contracted sales, USD 15.6 million or 76% of the total amount, was generated by Obolon Residences, our leading premium-class apartment complex. In 2014, residential property prices in Ukraine fell by a third on average in U.S. dollar terms, with Kyiv registering the sharpest price drop of 37%. Nevertheless, Obolon Residences achieved a 68% average price increase in UAH terms for sales contracted in 2014 with USD prices decreasing by 13%, which attests to the strong domestic demand for quality residential properties. Despite a market-wide downturn continuing throughout 2014, the second half of 2014 generated 75% of the full-year contracted sales for Obolon Residences. As of the end of 2014, 111 out of 160 apartments in Phase I (70%) were contractually sold, manifesting the project's rapid construction pace and superior value-for-money ratio.

The year 2014 marked a turnaround for our townhouse community Sadok Vyshnevy, which was acquired as a completed development. With a well-balanced pricing policy and effective sales and marketing campaign, total contracted sales amounted to USD 2.2 million based on 13 deals, averaging USD 675 per sq. m or 31% above the asset's fair value at 31 December 2014 (USD 516).

Despite the declining demand for single-family homes, our other suburban gated community, Green Hills, remained one of the most successful projects in its market segment with one of the best value-for-money offerings ratios. In 2014, contracted sales based on 6 deals increased by over 50% year-over-year, to USD 2.0 million from USD 1.3 million in 2013, with the combined area of land plots sold to date reaching 40,533 sq. m (17% of total 235,122 sq. m, net of roads and technical premises). We are currently in the process of building a private school at Green Hills and plan to launch it just in time for the 2015/2016 academic year.

For Riviera Villas, the luxury suburban project, the downward trend of 2013 continued into 2014, with one contracted sale for USD 0.6 million completed. The weak demand in this market segment can be explained by a high degree of economic uncertainty, resulting in declining consumption of upscale properties.

Henryland, in which DUPD holds a 38% interest, sold all its property assets to a local private investor in Q3 2013 for USD 23.7 million, entitling DUPD to a dividend of around USD 9 million. The latest dividend tranche of USD 3.1 million was paid in January 2015, bringing the total dividends received by DUPD to USD 8.4 million. The remaining USD 600,000 is expected to be paid in late 2015.

Our portfolio investment, Arricano Real Estate plc, in which DUPD holds a 12.51% stake, obtained a positive ruling from the London Court of International Arbitration with respect to its dispute with third-party investor Stockman Interhold over the SkyMall project call option. On March 31, 2015, a further positive court ruling was secured, confirming that all the required conditions had been met by Arricano to execute the call option in full before 31 December 2010. While certain other disputes remain in progress, we hope a positive outcome on this matter to be achieved in the near future.

In December 2014 Arricano announced the signing of a USD 25 million loan agreement with the EBRD. The proceeds will be used mainly to finance the construction payables of Arricano's new shopping and entertainment center in Kyiv, Prospect, and to repay USD 10 million of an outstanding loan attracted from Oshchadbank, Ukraine's state savings bank.

Having launched the Prospect shopping mall and the 2nd stage of South Gallery in 2014, Arricano currently has five operating shopping malls in Ukraine with total GLA in excess of 144,200 sq. m (excluding SkyMall – 67,000 sq. m).

On the land bank project, we are proceeding with the previously adopted gradual re-zoning plan. As of 2014, we split the previously re-zoned 19.9 hectares of land into separate plots for further sale. Moreover, basic infrastructure was constructed.

Overall we are confident that our strategy is well balanced and aimed at achieving goals and targets set out by the Company's new investing policy adopted in early 2014.

08 June 2015

Eugene Baranov Partner DCM Limited	Volodymyr Tymochko Partner DCM Limited

MARKET OVERVIEW

2014 was one of the most challenging years for Ukraine: annexation of Crimea by Russia, military conflict in Donbas, a deep 6.8% economic GDP drop and 48% devaluation of the national currency against the US Dollar. All these factors strongly influenced the Ukrainian property market.

Construction activity in 2014 dropped by 20.4% y-o-y, driven by non-residential (-33.7% y-o-y) and infrastructure (-20.3% y-o-y) segments. Residential construction slowed down but, for the second consecutive year, remained the only property sector to show positive growth (+3.5% y-o-y in 2014).

Commercial property

Kyiv's retail properties are going through especially difficult times. The 8.6% decline in retail trade turnover and sharp hryvnia devaluation squeezed both the rental income of developers and retailers' margins. Landlords were forced to provide generous rent discounts, in some cases over 50%, in order to retain existing lessees and nevertheless vacancies rose from 3.9% to 7.8%, while prime rental rates fell to USD 50-70/sqm from USD 105/sqm last year.

The office sector in 2014 faced further decline in business activity and saw most of the transactions coming from relocation and extension of existing leases. Amid decreasing demand and vast volumes of delivered supply in 2014 (+149 000 sqm or +9.7%) the vacancy rate increased to 19.8% from 15.1% in 2013 and prime base rental rates dropped by 14% y-o-y to USD 31/sqm/month.

Unfavorable economic conditions were also reflected in the performance of the warehouse property market. About 110 000 sqm of new space (+7.4%) were delivered for the open market, which matched by sluggish demand, led to a considerable increase in the vacancy rate to 7.0% (4.0% in 2013), breaking the opposite 4-year trend, and to a decline of rents to USD 5.5/sqm from USD 6.0/sqm in 2013.

Residential property

Despite the increase in residential construction works and new supply, sales in the sector were significantly lower compared to the previous year reflecting a further decline in household income and rising instability due to unrest in the east of Ukraine. In Kyiv, the number of apartment sales plunged by 56% y-o-y from 30.6k to 13.4k. The drop was mainly driven by the secondary market (-65% y-o-y), where sellers were not as flexible as developers on the primary market (-46% y-o-y). Apartment prices in USD-terms declined on both primary (-40% y-o-y) and secondary markets (-15% y-o-y). In contrast, prices in local currency in Kyiv increased by 20% on the primary and 70% on the secondary market.

Land

2014 saw no shift on the domestic land market with prices for land plots for individual construction around Kyiv staying largely unchanged. The market activity also remained low due to the absence of mortgage lending, low construction appetite from developers and decreasing households' incomes.

Project Overview

1. Land bank

- First part of land bank (19.9 ha) rezoned.
- The Company is focused on gradually selling the land as it is rezoned and when the land market recovers

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	503 ha
DUPD Share:	85%
Fair value of DUPD share:	USD 17.3m

2. Obolon Residences

- Business class residential complex with office and retail premises
- Prime location in a prestigious Obolon district in Kyiv
- International standard design
- The winner in the category "high-rise apartment building 2014" by European Property Awards
- Construction of Phase 1 expected to complete in summer of 2015
- DUPD agreed to sell the rights to develop the second phase of the Project. USD 5 million to be paid during 2015 in 4 equal instalments. First instalment of USD 1.25 million received
- 65 per cent of residential space in Phase 1 contracted for sale
- 111 apartments pre-sold, of which 69 were pre sold in 2014

Details

Location:	Kyiv
Land Title:	Leasehold
Land Area:	1.07 ha
Sales area (excluding parking):	45,593 sqm
Phase 1:	16,981 sqm
Phase 2:	12,248 sqm
Phase 3:	16,364 sqm
DUPD Share:	100%
Fair value of DUPD share:	USD 26.5

3. Arricano Real Estate plc

- The largest developer of shopping centres in Ukraine
- Listing on the AIM market of the LSE (ARO LN) since September 2013
- DUPD's shareholding is 12.51%
- Portfolio of nine shopping centres of which six are operational and three under various stages of development
- Liquidity squeeze due to heavy devaluation of hryvnia and falling disposable income of population
- Second phase of shopping centre South Gallery (Simferopol) commissioned in February 2014
- New 30,400 sqm shopping mall Prospect, anchored by Auchan, opened in Kyiv in September 2014

Summary

DUPD Share:	12.51%
Directors:	1 board representative

1 Sky Mall (Kyiv)

Gross leasable area (operating):	67,369sqm
Gross leasable area (to be developed):	46,510 sqm
Key Tenants:	Auchan, Foxtrot, Inditex Group, Top Shop, Marks & Spencer, Bonjour, New Yorker, Cronverk Cinema

2 Rayon (Kyiv)

Gross leasable area (operating):	24,350 sqm
Key Tenants:	Silpo, Comfy, Reserved, Sportmaster, Brocard

3 Sun Gallery (Kryvyi Rig)

Gross leasable area (operating):	35,600 sqm
Key Tenants:	Auchan, Comfy, Intertop, Brocard

4 South Gallery (Simferopol)

Gross leasable area (operating):	32,200 sqm
Key Tenants:	Auchan, Comfy, Intertop, Brocard

5 City Mall (Zaporizhzhya)

Gross leasable area (operating):	21,450 sqm
Key Tenants:	Auchan, Comfy, Collins, Brocard, Columbia, Women's Secret, Levis

6 Prospect (Kyiv)

Gross leasable area (operating):	30,450 sqm (excluding Auchan)
Key Tenants:	Auchan (co-investor), Foxtrot, Reserved, Bomond, Mango

7 Lukyanivka (Kyiv)

Gross leasable area (under construction):	47,000 sqm

8 Petrivka (Kyiv)

Gross leasable area (to be developed):	31,450 sqm

9 Rozumovska (Odesa)

Gross leasable area (to be developed):	38,000 sqm

4. Riviera Villas

- Elite cottage community near Kyiv
- Unique luxury leisure infrastructure
- Prestigious award from European Property Awards 2013 in London – winner in the category of Development Multiple Units for Ukraine
- Utilities on the site and waterfront infrastructure completed
- 19 households sold, including 1 sale in 2014. First street out of four completed. Stock of 5 homes available for sale

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	14.3 ha
DUPD Share:	59.6%
Fair value of DUPD share:	USD 6.9m

5. Green Hills

- Business class cottage community, 10km from Kyiv
- The first North American style cottage community developed in the country
- All key infrastructure in place
- 43 households sold (6 – in 2014) out of 178
- 35 families living in the community
- Private School under construction

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	16.2 ha
DUPD Share:	100%
Fair value of DUPD share:	USD 7.3m

6. Henryland

- All assets of Henryland were sold for a cash consideration of USD 23.7m in 2013
- DUPD's share of consideration is USD 9.0m, out of which the company has received USD 8.4m, including USD 3.1m in January 2015

Details

DUPD Share:	38%
Total sales proceeds:	USD 23.7m
DUPD Share:	USD 9.0m
Received:	USD 8.4m

7. Sadok Vyshnevy

- 38 apartments in a town-house community in Kyiv suburbs
- Utilities on the site
- All homes commissioned, and available for sale
- 14 apartments sold (13 – in 2014)

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	1.6 ha
DUPD Share:	100%
Fair value of DUPD share:	USD 2.9

8. Avenue Shopping Centre

- Land plot for a shopping mall development
- Land plot offered for sale

Details

Location:	Kyiv
Land Title:	Leasehold
Land Area:	1.2 ha
GLA:	23.831 sqm
DUPD Share:	18.8%
Fair value of DUPD share:	USD 0.35m

9. Glangate

- Two land plots for shopping centre development in second-tier regional cities of Kremenchuk and Rivne
- Land plots offered for sale

Details

Location:	Kremenchuk, Rivne
Land Title:	Freehold/Leasehold
Land Area:	9.3 ha aggregate
GLA:	49,130 sqm
DUPD Share:	100%
Fair value of DUPD share:	USD 2.4m

Investing Policy

Dragon – Ukrainian Properties & Development plc ("DUPD" or "the Company") is an "investing company" for the purposes of the AIM Rules for Companies. The AIM Rules for Companies require an investing company to have in place an investing policy which is "sufficiently precise and detailed so that it is clear, specific and definitive". The AIM Rules for Companies provide guidance in relation to what this investing policy is expected to include as a minimum.

On 17 February 2014, the Company's shareholders approved a new investing policy, which is set out below.

Investing strategy – asset allocation – geographic focus and sector focus

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.

Assets or companies in which the Company can invest

The Company will not make any investments in new properties.

However, this will not preclude the Board (in its absolute discretion) from making any investment in existing properties in the following circumstances:

- where the Board, as advised by the Manager, believes such investment is to protect or enhance the value and saleability of such property;
- where the Company is contractually committed to make such investment;
- in respect of properties currently under construction, where the Company continues to pursue, where necessary, any licences and/or approvals which are required for a particular property to continue its development;
- undertaking investment in additional phases of such properties (other than the existing phase currently being developed in respect of such property) where the Board, as advised by the Manager, believes such investment in additional phases is to protect or enhance the value and saleability of such property;
- authorising the expenditure of such capital as is necessary to: (i) acquire any joint venture party's interests in any of the Company's existing investments; or (ii) carry out any construction necessary to maximise value and saleability of any existing property; and
- entering into any contract or other arrangement with any third party to realise all or any part of its existing properties.

In addition, the Company will only commence construction on any of its existing properties that have yet to commence construction to protect or enhance the value and saleability of such property. In respect of such properties, the Company will also continue to pursue, where necessary, any licences and/or approvals which are required for a particular property.

These above restrictions will not preclude the Company making investments in short-dated cash or near cash equivalent securities, which form part of its cash management practices.

Strategy by which the investing policy will be achieved

The Board and the Manager will investigate a number of approaches to realisation of its properties, which will include, but not be limited to, sales of individual assets or groups of assets or a sale of the entire portfolio (or a combination of such methodologies), or an in-specie distribution of such property. The Board will only consider in-specie distributions to shareholders when other realisation alternatives have been fully explored and the relevant property investment is quoted on a stock exchange.

The Board and the Manager may decide to appoint independent advisers to assist in the execution of the New Investing Policy, including, but not limited to, property valuers and property agents

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Whether investments will be active or passive investments

The Manager assumes a proactive approach to every property project in the Company's property portfolio.

Holding period for investments

The New Investing Policy includes an orderly realisation of the Company's properties over the medium term with a view to maximising returns for shareholders. Accordingly, the Board will seek to realise the Company's properties and exercise all legal rights of the Company in such manner and on such timescale as the Directors see fit, with a view to ensuring that returns to shareholders are maximised.

Spread of investments and maximum exposure limits

The Company does not have a prescribed policy in relation to the spread of investments or maximum exposure limits.

The realisation of the Company's properties may, over time, result in the Company having a reduction in the diversification of investments. However, the realisation of the Company's properties over time will also result in the reduction of the Company's overall investment in real estate assets.

Policy in relation to gearing and cross holdings

The Board (in its absolute discretion) may make prudent use of leverage to make investments or expenditure consistent with its investing policy and to satisfy working capital requirements. Borrowings may be undertaken by the Company itself or by any of its subsidiaries or project companies.

Given that the New Investing Policy is an orderly realisation of the Company's properties over the medium term, it is not expected that the Company will secure additional debt financing other than where the Company believes it is required to protect or enhance the value and saleability of such property.

Investing restrictions

Other than the requirement for the Manager to manage any potential conflicts of interest, and the requirement to invest in accordance with its New Investing Policy, there are no other investing restrictions.

Nature of returns that the Company will seek to deliver to shareholders

Under the New Investing Policy, the Board will seek to return any surplus funds to shareholders when appropriate. The net proceeds of all property realisations will be returned to shareholders, at the Board's discretion, having regard to:

- the requirement to invest further funds in the Company's existing property projects only to protect or enhance the value and saleability of such property, and/or where the Company is contractually committed to make such investment;

- the Company's working capital requirements and running costs (including the fees payable under the Third Management Agreement);

- the cost and tax-efficiency of individual transactions and/or distributions; and

- the 2006 Act.

It is expected that surplus capital will be returned to shareholders over time in a manner which may involve dividends, share buy-backs, voluntary tender offers, dividends and/or capital reductions. The decision to make any such returns, the method through which such returns are effected, and the quantum and timing of any such returns will be at the sole discretion of the Board. The Board will only consider in-specie distributions to shareholders when other realisation alternatives have been fully explored and the relevant property investment is quoted on a stock exchange.

Other matters

Cash management

Pending future returns of value to shareholders, all of the Company's funds (whether in the form of cash or otherwise) will be kept under the control of the Board or as it may direct.

Currency hedging

The Company will hedge currency and interest rate risk as and to the extent that the Board (in its absolute discretion) considers appropriate.

Management of liabilities

The Company will endeavour, at the direction of the Board (in its absolute discretion), to manage all actual or potential material liabilities, risks or exposures of the Company (including, without limitation, any existing contractual commitments, disputes (potential or actual) and litigation (threatened or actual)) in a manner consistent with the orderly realisation of the Company's properties.

Conflict policy

The Dragon Capital Group pursues a number of real estate development projects in Ukraine. Under the terms of the Third Management Agreement the Manager has no ability to commit the Company or any of its subsidiaries to make any acquisition or disposal. In the event that any Relevant Party has the opportunity to acquire Conflict Property then the Manager shall cause the Relevant Party to provide, inter alia, all material details of the Conflict Property to the Company, in order for the Company to decide whether or not to notify the Manager that it should pursue the opportunity to acquire the Conflict Property (within the scope of the New Investing Policy). If the Company so notifies the Manager of its intention to pursue the opportunity to acquire a Conflict Property, the Manager shall procure that no affiliate of the Manager shall acquire any interest in the Conflict Property in question without the prior consent of the Company.

Directors' Report

The Directors present their annual report and the audited Company financial statements of Dragon-Ukrainian Properties & Development plc (the Company) for the year ended 31 December 2014.

Principal activities

The principal activities of the Company is that of investing in the development of its existing real estate properties in Ukraine. 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. The full text of the Investing Policy can be found on the Company's website http://dragon-upd.com/investor-information

The Company was incorporated in the Isle of Man under the provisions of the 1931 to 2004 Companies Acts on the 23rd February 2007 with a company number 119018C. Following the resolution of the Extraordinary Meeting of Shareholders passed on 17 February 2014 the Company was de-registered under the provisions of the 1931 to 2004 Companies Act and has re-registered under the provisions of the 2006 Companies Act on the 27th February 2014 with a company number 010832V. The Company's registered office is 2nd Floor, Belgravia House, 34-44 Circular Road, Douglas, Isle of Man IM1 1AE 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 of the London Stock Exchange. On 29 November 2007 the Company completed a secondary placing on AIM and raised USD 100 million.

Results

The Company made a loss before taxation for the year ended 31 December 2014 of USD 70,173,000 (2013 – restated loss of USD 29,348,000) all of which has been transferred from reserves.

Dividend

On 24 December 2014 the Directors, after having reviewed the updated cash flow projection prepared by the Investment Manager, adopted a resolution for a distribution to the Company's shareholders in the amount of USD 0.055 per share. Having considered a cash distribution of USD 6,014,883.33 or USD 0.055 per share (the Distribution) under section 50 of the Companies Act (2006) and article 128 of the Company's Articles of Association, the Directors satisfied themselves on reasonable grounds, that immediately after the Distribution:

1. the Company would be able to pay its debts as they become due in the normal course of the Company's business; and

2. the value of the Company's assets would exceed the value of its liabilities thus conforming to the requirements of the Companies Act section 50, being the Solvency Test.

The above mentioned cash distribution of USD 6,014,883.33 or USD 0.055 per share was paid as a dividend (2013 – nil).

Directors

The Directors of the Company during the year and to date are:

Aloysius Wilhelmus Johannes van der Heijden
Date of appointment 10 April 2007
Fredrik Svinhufvud
Date of appointment 10 April 2007
Date of resignation 30 November 2014
Tomas Fiala
Date of appointment 26 February 2007

Rory Macnamara
Date of appointment: 6 December 2011
Date of resignation 30 November 2014
Mark Iwashko
Date of appointment: 26 November 2014

Directors' interests

The Directors interests in shares in the Company as at 31 December are as follows:

	2014		2013	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %
Aloysius Johannes Van der Heijden	**-**	**-**	200,000	0.18
Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director)	**18,792,314**	**17.18**	**18,792,314**	**17.18**
	18,792,314	**17.18**	**18,992,314**	**17.36**

Mr. Tomas Fiala, one of the Company's directors, is the principal shareholder and managing director of the 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 was a director of 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.

DCM Limited, the Company's investment manager is the asset management arm of the Dragon Capital Group.

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 the Dragon Capital Group in the Company increased to 16,085,227 ordinary shares or 14.71% of the Company's issued share capital as at 31 December 2012.

In February 2013 the Dragon Capital Group made additional market purchases of 2,707,087 shares in the Company, which resulted in a total shareholding of 18,792,314 ordinary shares, or 17.18% of the Company's issued share capital, being the current shareholding.

Auditors

The auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.
By Order of the Board

Mark Iwashko
Non-executive chairman
08 June 2015

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards, as adopted by the EU.

The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Mark Iwashko
Non-Executive Chairman
08 June 2015

Directors Remuneration Report

Extraordinary General meeting held on 17 February 2014 approved a new incentive scheme for the Directors. Directors (save for Tomas Fiala) will receive 0.35 per cent. of the aggregate amount of any distributions paid or distributed to Shareholders at any time from 1 January 2013. This amount shall be divided as follows:

- for Mr. Macnamara (in his capacity as the Chairman), 0.15 per cent of the aggregate amount of any distributions;
- for Mr. van der Heijden, 0.10 per cent of the aggregate amount of any distributions; and
- Mr. Svinhufvud, 0.10 per cent of the aggregate amount of any distributions

On 30 November 2014 the Board has accepted a resignation of Mr. Macnamara and Mr. Svinhufvud ass per their request.
Also the Board has elected Mr. Iwashko as a Chairman of the Board and has changed remuneration for the directors as following.
Mr. Iwashko as the Chairman is entitled to the fee of USD 40,000 plus any applicable taxes plus USD 10,000 towards compensating his costs associated with carrying his duty as the Chairman of the Board
Mr. Lou van der Heiden is entitled for USD 35,000 plus any applicable taxes plus USD 5,000 as compensation for additional duties for heading the Audit Committee.
incentive scheme for the Directors associated with distributions was cancelled.
The directors fees are summarized in the table below

Name	Position	Annual Fee	Date of appointment	Notice period
Mark Iwashko	Non-executive Chairman	USD 40,000 per year plus applicable VAT payable quarterly in arrears. In addition USD 10,000 per year is paid towards compensating costs associated with his duties as a Chairman of the Board.	26 November 2014	The Director or Company may terminate on three month's written notice.
The Company has agreed to reimburse Mr Iwashko for reasonably incurred expenses in the course of his duties to the Company.				
Aloysius Wilhelmus Johannes van der Heijden	Non-executive Director	**<u>Before the Board's decision of 30 November 2014</u>** USD 50,000 per year plus applicable VAT payable quarterly in arrears. **<u>After the Board's decision of 30 November 2014</u>** USD 35,000 plus applicable VAT payable quarterly in arrears plus USD 5,000 to compensate for his duties as the Head of the audit committee	10 April 2007	The Director or Company may terminate on three month's written notice.
The Company has agreed to reimburse Mr van der Heijden for reasonably incurred expenses in the course of his duties to the Company.				
Tomas Fiala	Non-executive Director	No fee.	26 February 2007	The Director or Company may terminate on three month's written notice.
The Company has agreed to reimburse Mr Fiala for reasonably incurred expenses in the course of his duties to				

the Company.				
Fredrik Svinhufvud	Non-executive Director (resigned 30 November 2014)	USD 50,000 plus applicable VAT payable quarterly in arrears.	10 April 2007	The Director or Company may terminate on three month's written notice.
The Company has agreed to reimburse Mr. Svinhufvud for reasonably incurred expenses in the course of his duties to the Company. Mr. Svinhufvud has resigned as of 30 November 2014.				
Rory Macnamara	Non-executive Chairman (resigned 30 November 2014)	USD 100,000 plus applicable VAT payable quarterly in arrears.	6 December 2011	The Director or Company may terminate on three month's written notice.
The Company has agreed to reimburse Mr Macnamara for reasonably incurred expenses in the course of his duties to the Company. Mr. Macnamara has resigned as of 30 November 2014.				

The aggregate amount paid to Directors for the period ending 31 December 2014 was equal to USD 295 thousand.
The Company also reimbursed all reasonable travel expenses. There were no other payments besides the ones mentioned above being paid to the Directors for the period ending 31 December 2014.

Corporate Governance

Combined Code

The Directors recognize the importance of sound corporate governance. The Company has complied, where possible, with the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance. The Directors are committed to maintaining the highest standards of corporate governance in the future

The Board and Board Committees

Until 30 November 2014 the Board was comprised of 4 directors. After appointment of Mr. Iwashko on 26 November 2014 and resignation of Mr. Macnamara and Mr. Svinhufvud on 30 November the Board is comprised of three directors: the Chairman, Mark Iwashko, and two non-executive directors: Aloysius Johannes van der Heijden and Tomas Fiala. Mr. Tomas Fiala, one of the Company's Directors, is the principal shareholder and Managing Director of Dragon Capital Group which holds 18,792,314 ordinary shares in the Company (17.18% of the total number of shares). DCM Limited, investment manager for the Company is a part of Dragon Capital Group. Save in that respect, the Board considers the Directors (with the exception of Tomas Fiala), to be independent for the purposes of the above-mentioned Corporate Governance Guidelines. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Board meets from time to time as required by the business of the Company to take decisions on investment projects and to consider general matters affecting the Company and otherwise as required. It has appointed an audit. Issues which do not require discussion by Board members are dealt with by written board resolution.

The Audit Committee until 30 November 2014 was chaired by Mr. Fredrik Svinhufvud and comprised of Mr van der Heijden and Mr Rory Macnamara. From 30 November 2014 the Audit Committee is chaired by Mr van der Heijden and consist of Mr van der Heijden and Mr Iwashko. The Audit Committee meets at least twice a year and otherwise on an ad hoc basis as required. The Audit Committee reviews the annual and interim accounts and supporting property valuation reports and monitors internal controls, adherence to accounting policies and standards. It meets regularly with the Company's auditors to review their reports on draft accounts and internal controls.

The number of meetings of the full Board, and the Audit Committee attended by each Director during 2014 is set out below.

	Full board meetings 2014		**Audit committee 2014**	
	Held	**Attended**	**Held**	**Attended**
Aloysius Wilhelmus Johannes van der Heijden	3	3	2	2
Fredrik Svinhufvud	3	3	2	2
Tomas Fiala	3	3	not a member	
Rory Macnamara	3	3	2	2
Mark Iwashko	2	2	not a member	

Risk Management and Internal Control

Risk management is the responsibility of the Audit Committee, which is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage any significant risks faced by the Company.

An outline of major risk factors affecting the Company was described in the admission document and is regularly reviewed by the Audit committee for their importance to the Company and for the controls that are in place. The Board, on the advice of the Manager, updates this risk outline as changes arise in the nature of risks and reviews and amends controls that are necessary to mitigate them. The Audit Committee reviews the risk outline and the effectiveness of the risk-modelling undertaken by the Manager on a regular basis.

Relations with shareholders

The board acknowledges that a significant part of its role is to represent and promote the interests of shareholders. The board is accountable to shareholders for the performance and activities of the Company. The board encourages participation at the Annual General Meeting at which a detailed review of the business and objectives of the Company are given to shareholders. The company proposes separate resolutions at the AGM for each substantially separate issue, and there is always an individual resolution relating to re-election of every director, appointing auditors and approval of financial statements. The Chairman of the Board and the Partners of the Manager meet major shareholders several times a year, and financial results are reported to them every six months. Investors have also access to current information on the Company through its website, www.dragon-upd.com, which is frequently updated.

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Report of the Independent Auditors, KPMG Audit LLC, to the members of Dragon-Ukrainian Properties & Development plc

We have audited the financial statements of Dragon-Ukrainian Properties & Development plc (the "Company") for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards, as adopted by the EU.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards, as adopted by the EU.

Emphasis of matter

We draw attention to Note 1(b) to the Company's financial statements, which describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 and 2015 in Ukraine. The events referred to in Note 1(b) have adversely affected and could continue to adversely affect the Company's results and financial position in a manner not currently determinable.

We also draw attention to Note 2(d) to these financial statements, which refers to significant areas of estimation uncertainty and critical judgments in applying accounting policies. Actual results could differ from the estimates made and there could be significant adjustment in the next financial year. Further, during the year the Company changed its accounting policy for investment entity accounting and made adjustments to the figures that were included in the financial statements of the Company as at and for the year ended 31 December 2013. The reason for and the effects of these changes and adjustments are described in Note 4 to the financial statements. We have audited the adjustments described in Note 4 that were applied to restate the 2013 financial statements and the statement of financial position as at 1 January 2013.

Our opinion is not qualified in respect of these matters.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

Statement of financial position

(in thousands of USD)	*Note*	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	*5*	**75,303**	148,012	183,177
Total non-current assets		**75,303**	148,012	183,177
Current assets				
Other accounts receivable	*6*	**8,435**	376	1,476
Cash and cash equivalents	*7*	**16,549**	22,053	15,049
Total current assets		**24,984**	22,429	16,525
Total assets		**100,287**	170,441	199,702
Equity and Liabilities				
Equity				
Share capital	*8*	**2,187**	2,187	2,187
Share premium		**277,265**	277,265	277,265
Accumulated losses		**(187,097)**	(110,910)	(81,562)
Total equity		**92,355**	168,542	197,890
Current liabilities				
Other accounts payable	*9*	**7,932**	1,899	1,812
Total current liabilities		**7,932**	1,899	1,812
Total liabilities		**7,932**	1,899	1,812
Total equity and liabilities		**100,287**	170,441	199,702

These financial statements were approved by the board of Directors (the Board) on 08 June 2015 and were signed on its behalf by:

Chairman of the Board	Mark Iwashko
Non-executive director	Aloysius Wilhelmus Johannes van der Heijden

Statement of comprehensive income for the year ended 31 December

(in thousands of USD)	*Note*	**2014**	2013 (restated)
Net loss from financial assets at fair value through profit or loss	*11*	**(66,835)**	(33,408)
Management fee	*10*	**(2,500)**	(2,500)
Administrative expenses	*12*	**(1,118)**	(1,385)
Other income		**741**	2,600
Other expenses		**(249)**	-
Performance fee	*10*	**(211)**	-
Total operating expenses		**(70,172)**	(34,693)
Dividend income	*13*	**-**	5,254
Finance income		**8**	91
Finance costs		**(9)**	-
Loss from operating activities		**(70,173)**	(29,348)
Net loss and total comprehensive loss for the year		**(70,173)**	(29,348)
Loss per share			
Basic loss per share (in USD)	*15*	**(0.64)**	(0.27)
Diluted loss per share (in USD)	*15*	**(0.64)**	(0.27)

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

Statement of cash flows for the year ended 31 December

(in thousands of USD)	*Note*	**2014**	2013 (restated)
Cash flows from operating activities			
Loss before income tax		**(70,173)**	(29,348)
Adjustments for:			
Net loss from financial assets at fair value through profit or loss	*11*	**66,835**	33,408
Dividend income	*13*	**-**	(5,254)
Finance income		**(8)**	(91)
Finance costs		**9**	-
Interest received		**8**	60
Loans granted		**(9,369)**	(19,456)
Loans repaid		**7,145**	16,213
Dividends received		**-**	6,392
Proceeds from subsidiaries		**-**	5,000
		(5,553)	6,924
Operating cash flows before changes in working capital			
Change in other accounts receivable		**39**	(40)
Change in other accounts payable		**19**	87
Cash flows (used in)/from operating activities		**(5,495)**	6,971
Net change in cash and cash equivalents		**(5,495)**	6,971
Cash and cash equivalents at 1 January		**22,053**	15,049
Effect of foreign exchange fluctuation on cash balances		**(9)**	33
Cash and cash equivalents at 31 December		**16,549**	22,053

Statement of changes in equity

(in thousands of USD)	Share capital	Share premium	Accumulated losses	Total
Balances at 1 January 2013 (restated)	2,187	277,265	(81,562)	197,890
Total comprehensive loss for the year (restated)				
Net loss (restated)	-	-	(29,348)	(29,348)
Total comprehensive loss for the year			(29,348)	(29,348)
Total contributions by and distributions to owners	-	-	-	-
Balances at 31 December 2013 (restated)	2,187	277,265	(110,910)	168,542
Total comprehensive loss for the year				
Net loss	-	-	**(70,173)**	**(70,173)**
Total comprehensive loss for the year	-	-	**(70,173)**	**(70,173)**
Transactions with owners of the Company	-	-		
Dividends (note 8)	-	-	**(6,014)**	**(6,014)**
Total transactions with owners of the Company	-	-	**(6,014)**	**(6,014)**
Balances at 31 December 2014	**2,187**	**277,265**	**(187,097)**	**92,355**

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, Belgravia House, 34-44 Circular Road, Douglas, Isle of Man IM1 1AE 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 Alternative Investment 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.

(b) Business environment

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings.

In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. In March 2014 Republic of Crimea was annexed by the Russian Federation. This event resulted in a significant deterioration of the relationship 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 arms supplies and flood of mercenaries from the Russian Federation escalated unrest into military clashes and armed conflict between armed supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces. As at the date these financial statements were authorised for issue, the instability and unrest continue, and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics. As a result, Ukrainian authorities are not currently able to fully enforce Ukrainian laws in this territory.

Whilst the Directors believe they are taking appropriate measures to support the sustainability of the Company's business in the current circumstances, a further deterioration in the 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.

(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 5 – Valuation of 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 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 5 – financial assets at fair value through profit or loss.

(e) Going concern

These financial statements are prepared on a going concern basis. In the year ended 31 December 2014 the Company incurred a net loss of USD 70,173 thousand (31 December 2013: restated loss of USD 29,348 thousand) and had negative cash flows from operating activities of USD 5,495 thousand (31 December 2013: restated positive cash flows from operating activities USD 6,971 thousand). As at that date the Company's current assets exceeded its current liabilities by USD 17,052 thousand and its Net Asset Value amounted to USD 92,355 thousand.

The Directors believe that the Company's existing cash resources are sufficient to meet the Company's liabilities for the foreseeable future and therefore that the going concern basis for preparing these financial statements is appropriate.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except as explained in note 4, which addresses changes in accounting policies.

(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 10). 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. Before 1 January 2014 the Company's management consolidated all its subsidiaries as there was no provision in IFRS allowing investment companies to measure all of its investments at fair value through profit or loss. The Company now 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 gain or loss 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**	
			2014	2013
Glangate LTD	Cyprus	**Rivne and Kremenchuk**	**100%**	100%
New Region LLC	Ukraine	**Rivne and Kremenchuk**	**100%**	100%
Rivnobud LLC	Ukraine	**Rivne and Kremenchuk**	**100%**	100%
Commercial project LLC	Ukraine	**Rivne and Kremenchuk**	**100%**	100%
Blueberg Trading Ltd	BVI	**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	**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%
OJSC "Dom byta "Obolon"	Ukraine	**Obolon Residences**	**100%**	100%
Startide LTD	Cyprus	**Obolon Residences**	**100%**	100%
Bi Dolyna Development LLC	Ukraine	**Riviera Villas**	**100%**	100%
Closed investment fund "Development"	Ukraine	**Obolon Residences**	**100%**	100%
EF Nova Oselya LLC	Ukraine	**Riviera Villas**	**100%**	100%
Mountcrest LTD	Cyprus	**Riviera Villas**	**100%**	100%
Stenfield Finance Ltd	BVI	**Riviera Villas**	**100%**	100%

Riviera Villas LLC	Ukraine	**Riviera Villas**	**100%**	100%
Linkdell LTD	Cyprus	**Sadok Vyshnevy**	**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 investment in Henryland Group Ltd and investment in Hindale Executive Investments Limited (part of investment in the Avenue Shopping Centre project).

(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, other loans and receivables and available-for-sale financial assets.

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 investments at fair value through profit or loss (see notes 3(b), 3(c) and 3(d)).

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified to held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

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 6 and cash and cash equivalents as presented in note 7.

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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IAS 39, see Note 16(a).

(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 9.

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.

(iv) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

(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 and held-to-maturity investment securities

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year on the reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Company that generates cash flows that largely are independent from other assets . Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 as 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) 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.

(n) 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.

(o) 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. For operational purposes the Board analyses the Company's activity on the basis of individual projects. Budgeting and comparison of actual versus budgeted results is also done on the basis of individual projects.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, 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. The Company plans to adopt these pronouncements when they become effective.

IFRS 9 *Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9. The Company does not intend to adopt this standard early.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective for annual periods beginning on or after 1 January 2016. The amendments are not expected to have a significant effect on the Company's financial statements.

Various improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2015.

4. Changes in accounting policy and corrections

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

(a) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 Financial Instruments: Presentation).

Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* specify that a company currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the company and all counterparties. Application of this amendment had no impact on the financial statements.

(b) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The Company has adopted *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) (2012) ("Investment Entities" amendments) with a date of initial application of 1 January 2014.

The Directors always treated the Company as an investment entity. The Company published its formal investing strategy adopted by EGM in September 2009 (subsequently modified in February 2014), however, investment entities were not specifically defined in IFRS. With recent changes in IFRS the Company meets the definition of an investment entity (see Note 3(a)). As a result, the Company has changed its accounting policy on accounting for its investments in subsidiaries and associates, to measure them at fair value through profit or loss. Before adoption of "Investment Entities" amendments, the Company consolidated its subsidiaries and associates. As a result of adoption of "Investment Entities" amendments, the Company ceased to prepare consolidated and separate financial statements and now prepares only unconsolidated financial statements in accordance with these amendments.

In accordance with the transitional provisions of the amendments, the Company has applied the new accounting policy retrospectively and restated the comparative information in accordance with IAS 8.

(c) Corrections

In 2014, the Company's management identified and corrected a prior period error related to the understatement of the underlying asset in the Obolon Residences project as at 31 December 2013. No such error was identified as at 1 January 2013.

Summary of quantitative impacts

The table below presents, in respect of the period immediately preceding the date of initial application, the resulting changes for each financial statement line item affected.

Statement of financial position

		Impact of change in accounting policy and correction		
31 December 2013	**As previously reported**	**Investment entities (see 4(b))**	**Corrections (see 4(c))**	**As restated**
(in thousands of USD)				
Assets				
Non-current assets				
Investment properties	34,536	(34,536)	-	-
Prepayments for land	45,086	(45,086)	-	-
Investments in associates	2,944	(2,944)		-

Financial assets at fair value through profit or loss	32,956	115,056	-	148,012
Property and equipment	266	(266)	-	-
Intangible assets	5	(5)	-	-
Total non-current assets	**115,793**	**32,219**	**-**	**148,012**
Current assets				
Inventories	34,134	(41,552)	7,418	-
Other accounts receivable	2,530	(2,154)	-	376
VAT recoverable	2,006	(2,006)	-	-
Prepaid income tax	40	(40)	-	-
Cash and cash equivalents	24,767	(2,714)	-	22,053
Total current assets	**63,477**	**(48,466)**	**7,418**	**22,429**
Total assets	**179,270**	**(16,247)**	**7,418**	**170,441**
Equity and Liabilities				
Equity				
Share capital	2,187	-	-	2,187
Share premium	277,265	-	-	277,265
(Accumulated losses)/retained earnings	(102,864)	(14,129)	6,083	(110,910)
Total equity attributable to equity holders of the Parent Company	**176,588**	**(14,129)**	**6,083**	**168,542**
Non-controlling interest	(14,846)	14,846	**-**	**-**
Total equity	**161,742**	**717**	**6,083**	**168,542**
Non-current liabilities				**-**
Finance lease liabilities	331	(331)	-	**-**
Deferred tax liabilities	7,096	(8,431)	1,335	**-**
Total non-current liabilities	**7,427**	**(8,762)**	**1,335**	**-**

Current liabilities				
Other accounts payable	10,051	(8,152)	-	1,899
Current portion of finance lease liabilities	35	(35)	-	-
Income tax payable	15	(15)	-	-
Total current liabilities	**10,101**	**(8,202)**	**-**	**1,899**
Total liabilities	**17,528**	**(16,964)**	**1,335**	**1,899**
Total equity and liabilities	**179,270**	**(16,247)**	**7,418**	**170,441**

Statement of comprehensive income

	Impact of change in accounting policy and correction			
31 December 2013	**As previously reported**	**Investment entities (see 4(b))**	**Corrections (see 4(c))**	**As restated**
(in thousands of USD)				
Rental income from investment property	27	(27)	-	-
Profit from sales of investment properties	247	(247)	-	-
Profit from sales of trading property	5	(5)	-	-
Loss on revaluation of investment properties	(6,973)	6,973	-	-
Impairment loss on prepayments for land	(13,319)	13,319	-	-
Write-down of trading property to net realisable value	(14,043)	6,625	7,418	-
Management fee	(2,500)	-	-	(2,500)
Administrative expenses	(2,294)	909	-	(1,385)
Other income	2,688	(88)	-	2,600
Other expenses	(184)	184	-	-
Net loss from financial assets at fair value through profit or loss	825	(34,233)	-	(33,408)
Share of the profit/(loss) of associates	(3,475)	3,475	-	-
Total operating expenses	**(38,996)**	**(3,115)**	**7,418**	**(34,693)**

Finance income	56	35	-	91
Dividend income	-	5,254	-	5,254
Loss from operating activities	**(38,940)**	**2,174**	**7,418**	**(29,348)**
Income tax benefit	2,642	(1,307)	(1,335)	-
Net loss and total comprehensive loss for the year	**(36,298)**	**867**	**6,083**	**(29,348)**
Attributable to:				
Equity holders of the Parent Company	**(33,814)**	**(1,617)**	**6,083**	**(29,348)**
Minority interests	**(2,484)**	**2,484**	**-**	**-**
Net loss and total comprehensive loss for the year	**(36,298)**	**867**	**6,083**	**(29,348)**
Loss per share				
Basic loss per share (in USD)	(0.33)	0.01	0.05	(0.27)
Diluted loss per share (in USD)	(0.33)	0.01	0.05	(0.27)

Statement of cash flows

		Impact of changes in accounting policies		
	As previously reported	**Investment companies (see 4(b))**	**Corrections (see 4(c))**	**As restated**
Cash flows from/(used in) operating activities	(432)	1,320	6,083	6,971
Cash flows from/(used in) investing activities	3,543	(3,543)	-	-
Others	(102)	102	-	-
Net increase in cash and cash equivalents	**3,009**	**(2,121)**	**6,083**	**6,971**

5. 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 31 December:

(in thousands of USD)	**Project**	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Investments at fair value through profit or loss				
Subsidiaries				
Landzone Ltd	Avenue Shopping mall	**313**	509	5,003
Stenfield Finance Ltd	Riviera Villas	**-**	-	-
Mountcrest Ltd	Riviera Villas	**-**	-	38
Linkdell Ltd	Financing company	**-**	-	-
Glangate Ltd	Rivne and Kremenchuk	**-**	-	4
Blueberg Trading Ltd	Green Hills	**-**	-	-
Riverscope Ltd	Land Bank	**-**	-	-
Landshere Ltd	Land Bank	**-**	-	-
Linkrose Ltd	Green Hills	**-**	-	-
Startide Ltd	Obolon Residences	**-**	-	-
		313	509	5,045
Associate				
Henryland Group Limited	Henryland	**537**	2,476	11,083
		537	2,476	11,083
Other investments				
Arricano Real Estate plc	Arricano	**14,058**	32,956	32,716
		14,058	32,956	32,716
Loans receivable at fair value through profit or loss				
Startide Ltd	Obolon Residences	**16,684**	27,615	27,020
Riverscope Ltd	Land Bank	**13,142**	33,223	43,164

Linkdell Ltd	Financing company*	**11,393**	16,473	25,685
Landshere Ltd	Land Bank	**7,157**	11,782	13,975
Linkrose Ltd	Green Hills	**5,347**	11,950	12,384
Stenfield Finance Ltd	Riviera Villas	**2,554**	701	-
Glangate Ltd	Rivne and Kremenchuk	**1,969**	3,071	4,159
Blueberg Trading Ltd	Green Hills	**1,110**	2,434	1,934
Mountcrest Ltd	Riviera Villas	**1,039**	4,822	6,012
		60,395	112,071	134,333
		75,303	148,012	183,177

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

(in thousands of USD)	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Project	**Fair value**	Fair value	Fair value
Sadok Vyshnevyi	**4,354**	5,657	10,014
Riviera Villas	**3,798**	5,842	6,840
Obolon Residences	**1,701**	1,825	4,788
Green Hills	**1,171**	2,611	3,389
Rivne and Kremenchuk	**369**	538	654
	11,393	16,473	25,685

(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. Since then the Company has been accounting for its shareholding in Arricano at its market price.

However, taking into account that severely deteriorated macroeconomic conditions (see note 1(b)) significantly decreased revenues generated by commercial properties in Ukraine while Arricano's share price remained largely unchanged, and due to the limited volume of Arricano shares traded during 2014, management changed the valuation methodology to adjusted net assets method to estimate the fair value of the investment in Arricano as at 31 December 2014.Under the new valuation method Arricano's net assets value as at 30 June 2014 (as per Arricano's published interim financial statements as of and for the six-month period ended 30 June 2014) 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 31 December 2014, and multiplied by the Company's share in Arricano's net assets as at 31 December 2014. To assist with the estimation of change in fair value of commercial retail real estate property in Ukraine for the six-month period ended 31 December 2014, the Directors engaged independent appraiser DTZ Kiev B.V.

As there is no other publicly available information as at the moment these financial statements were approved, the Company's management considers this to be the most appropriate method to estimate the fair value of the Company's investment in Arricano.

Sensitivity of fair value measurement to changes in unobservable inputs

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 the estimated decrease in fair value of commercial retail real estate property denominated in US dollars during the six-month period ended 30 June 2014 was 30% less than that used in the valuation model, the fair value of the investment in Arricano as at 31 December 2014 would be USD 2,792 thousand higher. If the estimated decrease in fair value of commercial retail real estate property denominated in US dollars during the six-month period ended 30 June 2014 was 30% higher, then the fair value of the investment in Arricano as at 31 December 2014 would be USD 2,792 thousand lower.

(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, DTZ Kiev B.V.
- Liabilities are mainly represented by loans payable due to the Company.
- 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

Composition of assets and liabilities of respective investment projects is as follows as at 31 December 2014:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshnevy**	**Avenue Shopping Centre**	**Land Bank**	**Rivne and Kremenchuk**	**Henryland Group Ltd.**	**Total**
Assets									
Non-current assets									
Investment properties	6,922	7,323	-	-	1,840	6	2,398	**-**	**18,489**
Prepayments for land	-	-	-	-	-	20,364	-	**-**	**20,364**
Property and equipment	46	104	6	-	-	-	-	**-**	**156**
Deferred tax assets	99	-	-	-	-	-	140	**-**	**239**
Intangible assets	1	1	1	-	-	-	-	**-**	**3**
Total non-current assets	**7,068**	**7,428**	**7**	**-**	**1,840**	**20,370**	**2,538**	**-**	**39,251**
Current assets									
Inventories	39	65	30,117	2,899	-	-	-	**-**	**33,120**
Trade and other receivables	1,634	264	5,352	1,541	4	-	-	8,202	**16,997**
VAT recoverable	180	422	7	-	-	-	2	**-**	**611**
Prepaid income tax	3	-	2	26	1	-	-	**-**	**32**
Cash and cash equivalents	116	164	1,515	2	25	11	13	1,365	**3,211**
Total current assets	**1,972**	**915**	**36,993**	**4,468**	**30**	**11**	**15**	**9,567**	**53,971**
Total assets	**9,040**	**8,343**	**37,000**	**4,468**	**1,870**	**20,381**	**2,553**	**9,567**	**93,222**
Non-current liabilities									
Deferred tax liabilities	-	407	2,987	-	197	213	-	-	**3,804**
Long-term loans payable	23,353	30,510	37,081	17,432	-	207,008	11,511	-	**326,895**
Total non-current liabilities	**23,353**	**30,917**	**40,068**	**17,432**	**197**	**207,221**	**11,511**	**-**	**330,699**
Current liabilities									
Trade and other liabilities	1,647	308	15,628	114	3	82	4	8,153	**25,939**
Total current liabilities	**1,647**	**308**	**15,628**	**114**	**3**	**82**	**4**	**8,153**	**25,939**
Total liabilities	**25,000**	**31,225**	**55,696**	**17,546**	**200**	**207,303**	**11,515**	**8,153**	**356,638**
Net identifiable assets and liabilities	**(15,960)**	**(22,882)**	**(18,696)**	**(13,078)**	**1,670**	**(186,922)**	**(8,962)**	**1,414**	**(263,416)**
Ownership	**100%**	**100%**	**100%**	**100%**	**18.77%***	**100%**	**100%**	**38%**	

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshnevy**	**Avenue Shopping Centre**	**Land Bank**	**Rivne and Kremenchuk**	**Henryland Group Ltd.**	**Total**
Fair value of investment	**-**	**-**	**-**	**-**	**313**	**-**	**-**	**537**	**850**
Nominal amount of loans receivable	**23,353**	**30,510**	**37,081**	**17,432**	**-**	**207,008**	**11,511**	**-**	**326,895**
Fair value of loans receivable	**7,391**	**7,628**	**18,385**	**4,354**	**-**	**20,299**	**2,338**	**-**	**60,395**

*The Company holds 18.77% of the share capital of Hindale Executive Investments Limited (Hindale Ltd) and, as a result, in LLC Promtek, which is 100% owned by Hindale Ltd, through the Company's 100% subsidiary, Landzone Ltd. LLC Promtek's sole purpose is to develop the Avenue Shopping Centre project.

Composition of assets and liabilities of the investment projects as at 31 December 2013 are as follows:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshnevy**	**Avenue Shopping Centre**	**Land Bank**	**Rivne and Kremenchuk**	**Henrylan d Group**	**Total**
Assets									
Non-current assets									
Investment properties	12,453	17,822	-	-	2,600	-	4,100	-	**36,975**
Prepayments for land	-	-	-	-	-	45,086	-	-	**45,086**
Investments in associates	-	-	-	-	-	-	-	911	**911**
Property and equipment	87	170	7	-	-	-	-	-	**264**
Intangible assets	1	1	3	-	-	-	-	-	**5**
Total non-current assets	**12,541**	**17,993**	**10**	**-**	**2,600**	**45,086**	**4,100**	**911**	**83,241**
Inventories	36	59	36,790	5,142	-	-	-	-	**42,027**
Trade and other receivables	1,169	246	834	191	434	-	-	3,024	**5,898**
VAT recoverable	270	668	1,067	-	-	-	2	-	**2,007**
Prepaid income tax	5	-	5	30	5	-	-	**-**	**41**
Cash and cash equivalents	341	96	1,846	374	181	4	6	91	**2,792**
Assets classified as held for sale	-	-	-	-	-	-	-	2,891	**2,891**
Total current assets	**1,821**	**1,069**	**40,542**	**5,737**	**620**	**4**	**8**	**6,006**	**55,807**
Total assets	**14,362**	**19,062**	**40,552**	**5,737**	**3,220**	**45,090**	**4,108**	**6,917**	**139,048**
Non-current liabilities									
Deferred tax liabilities	1,206	1,842	4,894	-	290	-	490	-	**8,722**
Long-term loans payable	21,841	28,347	33,485	17,900	-	195,42 3	10,920	**-**	**307,916**

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshnevy**	**Avenue Shopping Centre**	**Land Bank**	**Rivne and Kremenchuk**	**Henryland Group**	**Total**
Total non-current liabilities	**23,047**	**30,189**	**38,379**	**17,900**	**290**	**195,423**	**11,410**	**-**	**316,638**
Current liabilities									
Trade and other liabilities	1,790	212	6,217	80	218	85	9	1	**8,612**
Income tax payable	-	15	-	-	-	-	-	-	**15**
Liabilities classified as held for sale	-	-	-	-	-	-	-	400	**400**
Total current liabilities	**1,790**	**227**	**6,217**	**80**	**218**	**85**	**9**	**401**	**9,027**
Total liabilities	**24,837**	**30,416**	**44,596**	**17,980**	**508**	**195,508**	**11,419**	**401**	**325,665**
Net identifiable assets and liabilities	**(10,475)**	**(11,354)**	**(4,044)**	**(12,243)**	**2,712**	**(150,418)**	**(7,311)**	**6,516**	**(186,617)**
Ownership	**100%**	**100%**	**100%**	**100%**	**18.77%***	**100%**	**100%**	**38%**	
Fair value of investment	**-**	**-**	**-**	**-**	**509**	**-**	**-**	**2,476**	**2,895**
Nominal amount of loans receivable	**21,841**	**28,347**	**33,485**	**17,900**	**-**	**195,423**	**10,920**	**-**	**307,916**
Fair value of loans receivable (note 5)	**11,365**	**16,995**	**29,440**	**5,657**	**-**	**45,005**	**3,609**	**-**	**112,071**

*The Company holds 18.77% of the share capital of Hindale Executive Investments Limited (Hindale Ltd) and, as a result, in LLC Promtek, which is 100% owned by Hindale Ltd, through the Company's 100% subsidiary, Landzone Ltd. LLC Promtek's sole purpose is to develop the Avenue Shopping Centre project.

Composition of assets and liabilities of the investment projects as at 1 January 2013 are as follows:

	Riviera Villas	Green Hills	Obolon Residences	Sadok Vyshnevy	Avenue Shopping Centre	Land Bank	Rivne and Kremenchuk	Henryland Group	Total
(in thousands of USD)									
Assets									
Non-current assets									
Investment properties	14,592	19,000	-	-	-	10	6,700	35,220	**75,522**
Prepayments for land	-	-	-	-	-	57,200	-	-	**57,200**
Property and equipment	88	133	4	-	-	-	-	37	**262**
Intangible assets	1	1	1	-	-	-	-	-	**3**
Total non-current assets	**14,681**	**19,134**	**5**	**-**	**-**	**57,210**	**6,700**	**35,257**	**132,987**
Inventories	18	52	35,700	8,500	-	-	-	5	**44,275**
Trade and other receivables	1,351	182	110	297	5	-	4	277	**2,232**
VAT recoverable	219	564	678	-	-	-	1	1,282	**2,744**
Prepaid income tax	5	-	17	-	-	-	-	2	**18**
Cash and cash equivalents	203	134	583	661	5,038	12	32	1,491	**8,154**
Total current assets	**1,796**	**932**	**37,088**	**9,458**	**5,043**	**12**	**37**	**3,057**	**57,423**
Total assets	**16,477**	**20,066**	**37,093**	**9,458**	**5,043**	**57,222**	**6,737**	**38,314**	**190,41**
Non-current liabilities									
Deferred tax liabilities	1,594	2,122	5,104	-	-	-	933	2,286	**12,039**
Long-term loans payable	12,903	26,488	31,895	22,853	-	182,689	4,808	**-**	**281,636**
Total non-current liabilities	**14,497**	**28,610**	**36,999**	**22,853**	**-**	**182,689**	**5,741**	**2,286**	**293,675**
Current liabilities									
Trade and other liabilities	1,936	102	176	77	40	84	992	6,807	**10,214**
Income tax payable	6	-	-	-	-	-	-	54	**60**
Total current liabilities	**1,942**	**102**	**176**	**77**	**40**	**84**	**992**	**6,861**	**10,274**
Total liabilities	**16,439**	**28,712**	**37,175**	**22,930**	**40**	**182,773**	**6,733**	**9,147**	**303,949**
Net identifiable assets and liabilities	**38**	**(8,646)**	**(82)**	**(13,472)**	**5,003**	**(125,551)**	**4**	**29,167**	**(113,539)**
Ownership	**100%**	**100%**	**100%**	**100%**	**18.77%***	**100%**	**100%**	**38%**	
Fair value of investment	**38**	**-**	**-**	**-**	**5,003**	**-**	**4**	**11,083**	**16,128**

(in thousands of USD)	Riviera Villas	Green Hills	Obolon Residences	Sadok Vyshnevy	Avenue Shopping Centre	Land Bank	Rivne and Kremenchuk	Henryland Group	Total
Nominal amount of loans receivable	**12,903**	**26,488**	**31,895**	**22,853**	**-**	**182,689**	**4,808**	**-**	**281,636**
Fair value of loans receivable (note 5)	**12,852**	**17,707**	**31,808**	**10,014**	**-**	**57,139**	**4,813**	**-**	**134,333**

*The Company holds 18.77% of the share capital of Hindale Executive Investments Limited (Hindale Ltd) and, as a result, in LLC Promtek, which is 100% owned by Hindale Ltd, through the Company's 100% subsidiary, Landzone Ltd. LLC Promtek's sole purpose is to develop the Avenue Shopping Centre project. As at 1 January 2013 assets were mainly represented by cash and cash equivalents in amount of YSD 5,003 thousand that were owned by Landzone Ltd itself.

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 2014 and 2013, the Directors engaged independent appraiser DTZ Kiev B.V., 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 31 December 2014 and 2013 investment properties were represented by cottage Green Hills and Riviera Villas, and the Rivne 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.

Land parcels are value based on market prices for similar properties.

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 2014 are as follows:

- monthly rental rates - which were based on current rental rates ranging from USD 4 to USD 38.7 per sq. m.
- development costs based on current construction prices
- average land sales price ranging from USD 1,105 to USD 1,860 per sq.m.
- discount rate – from 20% to 23%
- 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.

As at 31 December 2013 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 5 to USD 47 per sq. m.
- development costs based on current construction prices
- average land sales price ranging from USD 1,385 to USD 2,180 per sq.m.
- discount rates – from 12% to 20.4%
- sales period – from 1 to 5 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 31 December 2014 and 2013. 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.

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 31 December 2014 are as follows:

- average market prices ranging from USD 80 thousand to USD 280 thousand per ha
- discount rates ranging from 17% to 18%
- sales period – from 1 to 7 years

As at 31 December 2013 the respective assumptions were as follows:

- average market prices ranging from USD 140 thousand to USD 420 thousand per ha
- discount rates ranging from 13% to 14%
- sales period – from 1 to 6 years

Inventory

As at 31 December 2014 and 2013 inventory was represented by the gated community Sadok Vyshnevyi (38 newly 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 31 December 2014 are as follows:

- average market prices ranging from USD 837 to USD 2,662 per sq m
- discount rates ranging from 15.5% to 22%
- sales period – from 2 to 5 years

As at 31 December 2013 the respective assumptions were as follows:

- average market prices ranging from USD 710 to USD 2,540 per sq m
- discount rates ranging from 12% to 19%
- sales period – from 3 to 4 years

Other assets and liabilities

Liabilities are mainly represented by the loans payable to the Company.

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).

Non-financial assets and liabilities comprise of property and equipment, deferred tax assets, intangible assets, VAT recoverable, prepaid income tax and deferred tax liabilities with a total value of USD 2,763 thousand and USD 3,970 thousand as at 31 December 2014 and 2013, respectively. Carrying amounts of the abovementioned assets and liabilities were used in the adjusted net assets value calculation as management believes that their fair value approximates their carrying value and does not have a material impact on the fair value of investments.

Sensitivity of fair value measurement to changes in unobservable inputs

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 sales prices and rental rates are 5% less than those used in the valuation models, the fair value of the real estate projects as at 31 December 2014 would be USD 4,022 thousand lower (2013: USD 10,872 thousand). If sales prices and rental rates are 5% higher, then the fair value of the real estate projects as at 31 December 2014 would be USD 4,367 thousand higher (2013: USD 10,872 thousand).

If development costs are 5% higher than those used in the valuation models, the fair value of the real estate projects as at 31 December 2014 would be USD 2,097 thousand lower (2013: USD 5,514 thousand). If development costs are 5% less, then the fair value of the real estate projects as at 31 December 2014 would be USD 2,097 thousand higher (2013: USD 5,514 thousand).

If the discount rate applied is 1% higher than that used in the valuation models, the fair value of the real estate projects as at 31 December 2014 would be USD 1,703 thousand lower (2013: USD 1,529 thousand). If the discount rate is 1% less, then the fair value of the real estate projects as at 31 December 2014 would be USD 1,901 thousand higher (2013: USD 1,523 thousand).

Taking into account that there is significant uncertainty in assessing the sales period for Riviera Villas and Green Hills projects, the Company's management performed sensitivity analysis for this assumption: if the sales period is 1 year longer than that used in the valuation model, the fair value of loans receivable as at 31 December 2014 would be USD 624 thousand lower (2013: USD 5,533 thousand).

The change in fair value of the real estate projects as a result of different assumptions used in assessing the present value of future cash flows as described above, will have no impact on the fair value of the Company's investments due to significant negative net assets of the investees. Thus, there is no impact on the fair value of the Company's investments, except for the investment in Avenue Shopping Centre project, impact of which is not material for the Company's financial statements. However, the above change in fair value of the real estate projects will affect the fair value of loans receivable (see 5(b)).

(b) 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). Therefore, sensitivity of the real estate projects fair value (see note 5(a)) to different assumptions also approximates sensitivity of loans receivable fair value to the same assumptions.

6. Other accounts receivable

Other accounts receivable as at 31 December are as follows:

(in thousands of USD)	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Receivable due from Henryland Group Limited	**3,098**	-	1,138
Other receivables	**5,317**	320	320
Prepayments made	**20**	56	18
Total	**8,435**	376	1,476

Receivable due from Henryland Group Limited is represented by the Company's portion of distributed share capital based on a decision of the shareholders of Henryland Group Limited from 25 December 2014.

As at 31 December 2014 other receivables are mainly represented by receivable from Cheriton Overseas Ltd amounting to USD 5,000 thousand (relating to the Obolon Residences project). 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. Additionally, Cheriton Overseas Ltd shall compensate to the Company a part of operating expenses in connection with the Obolon Residences project, if any.

7. Cash and cash equivalents

Cash and cash equivalents as at 31 December are as follows:

(in thousands of USD)	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Bank balances	**11,549**	7,047	1,149
Call deposits	**5,000**	15,006	13,900
Total	**16,549**	22,053	15,049

The following table represents an analysis of cash and cash equivalents based on Fitch ratings as at 31 December:

(in thousands of USD)	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Bank balances			
AA-	**351**	351	702
A+	**4,563**	5,105	2
A	**149**	1,591	445
A-	**6,486**	-	-
	11,549	7,047	1,149
Call deposits			
AA	**-**	-	3,900
A	**-**	15,006	10,000
A-	**5,000**	-	-
	5,000	15,006	13,900
Total	**16,549**	22,053	15,049

8. Equity

Movements in share capital and share premium are as follows:

	Ordinary shares *Number of shares*	**Amount** *Thousand 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**

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. The par value per ordinary share is USD 0.02. All issued shares are authorised and fully paid. Total authorised shares are 300,000,000.

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.

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

9. Other accounts payable

Other accounts payable as at 31 December are as follows:

(in thousands of USD)	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Dividends payable (note 8)	**6,014**	-	-
Management fees (note 10)	**1,250**	1,250	1,474
Other payables and accrued expenses	**426**	174	38
Performance fees (note 10)	**211**	-	-
Advances received	**31**	475	200
Total other accounts payable	**7,932**	1,899	1,812

10. Management and performance fees

Management and performance fees for the years ended 31 December are as follows:

(in thousands of USD)	2014	2013 (restated)
Management fee	**2,500**	2,500
Performance fee	**211**	-
Total	**2,711**	2,500

Unpaid management and performance fees as at 31 December 2014 amounted to USD 1,461 thousand (2013: USD 1,250 thousand).

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 GBP1.085 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

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).

The Directors (excluding Tomas Fiala who is a related party as explained in detail in the note 17) believe that the proposed changes incorporated into the Third Management Agreement will incentivise the Manager to:

• dispose promptly 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 Third Management Agreement.

The Third Management Agreement fees and term of the management agreement are summarised below.

Management fee

The management fee under the Third Management Agreement changes from a fee of 1.5 per cent of Gross Asset Value to a fixed amount as follows:

- 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 1.5 million
- 1 January 2018 – 31 December 2018: USD 1.4 million

The management fee under the Third 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, such amounts to increase by a minimum amount of any future increase in the Company's share capital and accrete by 6 per cent per annum starting 1 January 2016 and 1 January 2017 (or such extended dates as the Company and the Manager may agree in the event of any future increase in the Company's share capital), respectively, calculated on a daily basis. The accretion of threshold 1 will cease when threshold 2 is achieved.

The performance fee under the Third 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 Third Management Agreement expires on 31 December 2016, with two automatic extensions of twelve months each, as follows:

- if by 31 December 2016, distributions of at least USD 42.4 million have been made (being 80 per cent. of USD 50 million multiplied by 1.06), the Third Management Agreement shall continue until 31 December 2017, at which point (and subject to the bullet point below) the appointment of the Manager shall expire automatically; and
- if by 31 December 2017, distributions of at least USD 63.6 million have been made (being 80 per cent. of USD 75 million multiplied by 1.06), the Third Management Agreement shall continue until 31 December 2018 at which point the appointment of the Manager shall expire automatically.

The amounts referred to above increase by a minimum amount of any future increase in the Company's share capital, in which event the dates could also be extended with agreement of each of the Company and the Manager.

The total management fee for the year ended 31 December 2014 is USD 2,500 thousand (31 December 2013: USD 2,500 thousand). The total performance fee for the year ended 31 December 2014 is USD 211 thousand (2013: USD nil), being 3.5% of the distribution to shareholders.

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

Net loss from financial assets at fair value through profit or loss for the years ended 31 December is as follows:

(in thousands of USD)	**2014**	2013 (restated)
Interest income	**16,655**	16,674
Share capital distribution from Henryland Group Ltd (note 6)	**3,098**	-
Loss on investments at fair value through profit or loss	**(21,033)**	(7,903)
Loss from loans receivable at fair value through profit or loss*	**(65,555)**	(42,179)
Net loss from financial assets at fair value through profit or loss	**(66,835)**	(33,408)

* Loss from loans receivable for the year ended 31 December 2014 includes loss of USD 6,766 thousand incurred on sale of the right to finance construction and sell constructed immovable property comprising the second stage of the Obolon Residences project (see note 6).

12. Administrative expenses

Administrative expenses for the years ended 31 December are as follows:

(in thousands of USD)	**2014**	2013 (restated)
Professional services	**458**	809
Advertising	**258**	79
Directors' fees	**265**	242
Audit fees	**97**	142
Bank charges	**10**	8
Insurance	**19**	18
Travel expenses	**5**	59
Other	**6**	28
Total administrative expenses	**1,118**	1,385

13. Dividend income

During 2013 the Company recognised dividend income of USD 5,254 thousand from its investments in Henryland Group Ltd. Dividends of USD 6,392 thousand were received in cash during 2013 (including those declared and accrued before 2013).

14. 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.

On 8 July 2013, in connection with a series of lawsuits and arbitration hearings, the Company, RRE and Arricano signed a settlement deed according to which RRE paid the Company USD 1,200 thousand and paid USD 1,100 thousand to an escrow agent which was to be released to the Company on the successful completion of Arricano's IPO. On 13 September 2013 USD 1,100 thousand was received by 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 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. No provisions for potential tax assessments have been made in these financial statements.

(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. 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. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the financial statements is based upon the net loss for the year ended 31 December 2014 attributable to the ordinary shareholders of the Company of USD 70,173 thousand (2013: USD 29,348 thousand) and the weighted average number of ordinary shares outstanding, calculated as follows:

(number of shares weighted during the period outstanding)	**2014**	2013 (restated)
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 period	**109,361,515**	109,361,515

Dilluted earnings per share

As at 31 December 2014 and 2013 there were no options or warrants in issue. Therefore, there was no dilution on the Company's basic earnings per share.

15. 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**
31 December 2014									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*5*	**75,303**	**-**	**-**	**75,303**	**-**	**-**	**75,303**	**75,303**
		75,303		**-**	**75,303**	**-**	**-**	**75,303**	**75,303**
Financial assets not measured at fair value									
Cash and cash equivalents	*7*	**-**	**16,549**	**-**	**16,549**				
Other accounts receivable	*6*	**-**	**8,435**	**-**	**8,435**				
			24,984	**-**	**24,984**				
Financial liabilities not measured at fair value									
Other accounts payable	*9*	**-**	**-**	**7,932**	**7,932**				

-	**-**	**7,932**	**7,932**

(in thousands of USD)	*Note*	**Carrying amount** **Designated at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Fair value** **Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2013									
Financial assets measured at fair value									
Investments at fair value through profit or loss	*5*	148,012	-	-	-	32,956	-	115,056	148,012
		148,012	-	-	-	32,956	-	115,056	148,012
Financial assets not measured at fair value									
Cash and cash equivalents	*7*	-	22,053	-	22,053				
Other accounts receivable	*6*	-	376	-	376				
		-	22,429	-	22,429				
Financial liabilities not measured at fair value									
Other accounts payable	*9*	-	-	1,899	1,899				
		-	-	1,899	1,899				

(in thousands of USD)	Note	Carrying amount Designated at fair value	Loans and receivables	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3	Total
1 January 2013									
Financial assets measured at fair value									
Investments at fair value through profit or loss	5	183,177	-	-	-	-	-	183,177	183,177
		183,177	-	-	-	-	-	183,177	183,177
Financial assets not measured at fair value									
Cash and cash equivalents	7	-	15,049	-	15,049				
Other accounts receivable	6	-	1,476	-	1,476				
		-	16,525	-	16,525				
Financial liabilities not measured at fair value									
Other accounts payable	9	-	-	1,812	1,812				
		-	-	1,812	1,812				

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The valuation techniques used in measuring Level 1 and 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 5 – 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 2013		183,177
Loss included in profit or loss		
Interest income	*11*	16,674
Loss on investments at fair value through profit or loss	*11*	(7,903)
Loss from loans receivable at fair value through profit or loss	*11*	(42,179)
Loans granted/(repaid)		3,243
Proceeds from subsidiaries *		(5,000)
Transfers out of Level 3		(32,956)
Balance at 31 December 2013		**115,056**
Loss included in profit or loss		
Interest income		16,655
Loss on investments at fair value through profit or loss	*11, 5*	(2,135)
Loss from loans receivable at fair value through profit or loss	*11*	(65,555)
Sale of the Second Stage of Obolon Residences project	*6*	(5,000)
Transfers from Level 1		14,058
Loans granted/(repaid)		2,224
Balance at 31 December 2014		**75,303**

* Based on written resolution of the sole shareholder of Landzone LTD on 14 February 2013 the share premium of USD 5,000 thousand was returned to the Company as this amount exceeds the needs of Landzone LTD.

Transfers between fair value Levels

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

The Company holds an investment in shares of Arricano Real Estate plc. ("Arricano"), which is classified as a financial asset at fair value through profit or loss, with a fair value of USD 14,058 thousand at 31 December 2014 (31 December 2013: USD 32,956 thousand; 31 December 2012: USD 32,716 thousand). The fair value of the investment was previously categorised as Level 1 at 31 December 2013, because its assessment was based on its market price. However, having reviewed the opinion of independent appraiser DTZ Kiev B.V. on the considerable decrease in value of commercial retail real estate in Ukraine and notwithstanding the largely unchanged Arricano share price and limited volume of Arricano shares traded during 2014 management decided to use the adjusted net assets method to estimate the fair value of the investment in Arricano , rather than Arricano's market price (see note 5(a)).

(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. The carrying amount of such loans totalled USD 60,395 thousand as at 31 December 2014 (31 December 2013: USD 112,071 thousand). All these loans are unsecured and stated at fair value in these financial statements. Recoverability of these loans receivable depends on timely realisation of the real estate projects (see note 5). As at 31 December 2014, USD 36,983 thousand or 61% of the total loans receivable are due from three counterparties, which further invest in the Obolon Residences and Land Bank projects (31 December 2013: USD 72,620 thousand or 65%).

Other accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. As at 31 December 2014, USD 8,098 thousand or 96% of total other accounts receivable are due from two counterparties (2013: no significant concentration).

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. As at the balance sheet 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 as at 31 December is as follows:

(in thousands of USD)	**31 December 2014**	31 December 2013 (restated)	1 January 2013 (restated)
Loans receivable from investees	**60,395**	112,071	134,333
Cash and cash equivalents	**16,549**	22,053	15,049
Other accounts receivable	**8,435**	376	1,476
	85,379	134,500	150,858

(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 31 December 2014:

		Contractual cash flows			
(in thousands of USD)	**Carrying amount**	**Total**	**Within one year**	**2-5 years**	**More than 5 years**
Other accounts payable	**7,932**	**7,932**	**7,932**	**-**	**-**
	7,932	**7,932**	**7,932**	**-**	**-**

The following are the contractual maturities of financial liabilities as of 31 December 2013:

		Contractual cash flows			
(in thousands of USD)	Carrying amount	Total	Within one year	2-5 years	More than 5 years
Other accounts payable	1,899	1,899	1,899	-	-
	1,899	1,899	1,899	-	-

The following are the contractual maturities of financial liabilities as of 1 January 2013:

(in thousands of USD)	Carrying amount	Contractual cash flows Total	Within one year	2-5 years	More than 5 years
Other accounts payable	1,812	1,812	1,812	-	-
	1,812	1,812	1,812	-	-

(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

Changes in interest rates impact primarily loans receivable and cash and cash equivalents by changing either their fair value (fixed rate deposits) or their future cash flows (variable rate deposits). The Directors do not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of placing new deposits the Directors use their judgment to decide whether they believe that a fixed or variable rate would be more favourable over the expected period until maturity.

As at 31 December 2014 and 2013 all financial assets and liabilities had fixed interest rates. The Company has classified some of the fixed rate financial assets as fair value through profit or loss. The fair value of these assets as at 31 December 2014 and 2013 was USD 60,395 thousand and USD 112,071 thousand, respectively.

Financial assets are mainly represented by loans receivable at fair value with fixed interest rates, which are sensitive to the changes in the discount rate (see note 5(b)).

An increase of 100 basis points in interest rates would have impacted the call deposits and increased profit or loss and equity by USD 50 thousand (2013: USD 151 thousand). A decrease of 100 basis points would have an equal but opposite effect.

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. Weakening of the Ukrainian hryvnia would have resulted in decrease in fair value of loans receivable. Management believes that it is impracticable to quantify the effect of the above risk.

(d) Capital management

The Company has no formal policy for capital management but 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.

16. 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 years ended 31 December is as follows:

(in thousands of USD)	**2014**	2013 (restated)
Directors' fees	**265**	242
Reimbursement of travel expense	**5**	58
Total management remuneration	**270**	300

(ii) Key management personnel and director transactions

The Directors' interests in shares in the Company as at 31 December are as follows:

	2014		2013	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %
Aloysius Johannes Van der Heijden	**-**	**-**	200,000	0.18
Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director) *	**18,792,314**	**17.18**	18,792,314	17.18
	18,792,314	**17.18**	18,992,314	17.36

* Dragon Capital Group holds its share in the Company through nominal shareholder, Vidacos Nominees Limited as at 31 December 2014 and Euroclear Nominees Limited as at 31 December 2013 (see note 18).

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.

In February 2013 Dragon Capital Group made additional market purchases of 2,707,087 Company shares, which resulted in a total shareholding of 18,792,314 ordinary shares, or 17.18% of the Company's issued share capital.

(b) Transactions with subsidiaries

Outstanding balances with subsidiaries as at 31 December are as follows:

(in thousands of USD)	**2014**	2013 (restated)
Loans receivable	**60,395**	112,071
Other accounts receivable	**268**	282
	60,663	112,353

Income incurred in transactions with subsidiaries as at 31 December is as follows:

(in thousands of USD)	**2014**	2013 (restated)
Interest income	**16,656**	16,674
	16,656	16,674

(c) Transactions with associates

Outstanding balances with associates as at 31 December are as follows:

(in thousands of USD)	**2014**	2013 (restated)
Dividends receivable	**3,098**	-
	3,098	-

Transactions with associates as at 31 December are as follows:

(in thousands of USD)	**2014**	2013 (restated)
Dividend income	**-**	5,254
Share capital distribution	**3,098**	-
	3,098	5,254

(d) Other related parties transactions

Other related parties are represented by the Company's Manager, DCM Limited (see note 10).

Outstanding balances with other related parties as at 31 December are as follows:

(in thousands of USD)	**2014**	2013 (restated)
Other accounts payable	**(1,461)**	(1,250)
	(1,461)	(1,250)

Expenses incurred in transactions with other related parties as at 31 December are as follows:

(in thousands of USD)	**2014**	2013 (restated)
Management fee	**2,500**	2,500
Performance fee	**211**	-
	2,711	2,500

17. Shareholders holding greater than 5% of issued share capital

Holders of more than 5% of the issued share capital as at 31 December 2014 are as follows:

Name	**Address**	**Number of shares**	**Ownership, %**
Vidacos Nominees Limited <CLRLUX2>	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	20,117,815	18.40
Goldman Sachs Securities (Nominees) Limited <ILSEG>	Po Box 64374, Peterborough Court, 133 Fleet Street, London, EC4P 4FB	16,959,700	15.51
Bny Mellon Nominees Limited <BSDTGUSD>	The Bank Of New York Mellon, One Piccadilly Gardens, Manchester, M1 1RN	12,656,700	11.57
Vidacos Nominees Limited <CLRLUX>	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	11,565,488	10.58
Morstan Nominees Limited <SEG>	25 Cabot Square, Canary Wharf, London, E14 4QA	11,020,800	10.08
Pershing Nominees Limited <PERNY>	Capstan House, One Clove Crescent, East India Dock, London, E14 2BH	6,078,976	5.56
		78,399,479	**71.70**

Holders of more than 5% of the issued share capital as at 31 December 2013 are as follows:

Name	Address	Number of shares	Ownership, %
Euroclear Nominees Limited <EOC01>	C/O The Bank Of New York London, One Piccadilly Gardens, Manchester, M1 1RN	32,625,356	29.83
Goldman Sachs Securities (Nominees) LIMITED <ILSEG>	Po Box 64374, Peterborough Court, 133 Fleet Street, London, EC4P 4FB	16,959,700	15.51
Bny Mellon Nominees Limited <BSDTGUSD>	The Bank Of New York Mellon, One Piccadilly Gardens, Manchester, M1 1RN	12,656,700	11.57
Morstan Nominees Limited <SEG>	25 Cabot Square, Canary Wharf, London, E14 4QA	10,935,800	10.00
		73,177,556	**66.91**

18. Events subsequent to the reporting date

On 22 January 2015 following a resolution of the Board of Directors dated 29 December 2014 the Company paid a dividend to its shareholders in the amount of USD 6,014 thousand.

In April 2015 the Company received USD 1,250 thousand as part of the consideration for selling the right to finance construction and sell constructed immovable property comprising the second stage of the construction of Obolon Residences project.

Subsequent to the reporting date, the National Bank of Ukraine further significantly devalued the Ukrainian hryvnia. As of the date of issuance of these financial statements, the foreign exchange rate was UAH 21.08 for 1 USD (31 December 2014: UAH 19.23 for 1 USD). Taking into account that the underlying cash flows of the Company's investees are denominated in Ukrainian hryvnias, weakening of the Ukrainian hryvnia may result in decrease in fair value of loans receivable.