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

Results for the period ended 30 June 2016

Dragon-Ukrainian Properties & Development plc, a leading investor in the real estate sector in Ukraine, is pleased to announce its interim results for the period ended 30 June 2016.

<u>Highlights</u>

Operational Highlights

- The Company is following its investing policy as approved by the EGM in February 2014. DUPD's assets are not directly affected by the arms conflict in the East of Ukraine

- The Company commissioned phase 1 of the Obolon Residences project in October 2015. All commercial space, 44% of parking space and 83% of the residential space in phase 1 has been already sold.

- EEA Awards have awarded Obolon Residences project with "Project of the year in residential real estate" for 2015

- Green Hills North American style cottage community carries on with positive sales dynamics despite challenging economic environment. 43% of land plots are sold with 50 families already living in the community

Financial Highlights

- Total NAV of USD 48.9 million at 30 June 2016 (down from USD 58.4 million as of 31 December 2015)

- Cash balance of USD 8.4 million (compared to USD 15.9 million as of 31 December 2015); significant decrease in cash balance is due to USD 6 million distribution paid to shareholders

- Net loss of USD 3.5 million, mostly driven by fair value loss on company projects due to lower valuation of share in Arricano, longer sales periods and slightly higher discount rates used in valuations (for the period ending 30 June 2015 loss of USD 21.7 million)

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Project Overview

1. Land bank

- 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 Land:	USD 11.4 m

2. Obolon Residences

- Business class residential complex with office and retail premises
- Prime location in the prestigious Obolon district in Kyiv
- International standard design
- EEA Awards have awarded Obolon Residences with “Project of the year in residential real estate” in 2015
- Construction of Phase 1 was completed in summer of 2015. As of 1H 2016, 15 families have moved into their apartments.
- DUPD sold the rights to develop the second phase of the Project in 2015 for USD 5 million.
- ~83% of residential space in Phase 1 sold
- All commercial space is sold, ~44% of parking space and ~30% of storages are sold.

Details

Location:	Kyiv
Land Title:	Leasehold
Land Area:	1.07 ha
Sales area (excluding parking):	45,651 sqm
Phase 1:	17,039 sqm
Phase 3:	16,364 sqm
DUPD Share:	100%
Fair value :	USD 16.4 m

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
- Heavy devaluation of hryvnia and falling consumer disposable income has resulted in debt renegotiations/refinancings

Summary

DUPD Share:	12.51%
Directors:	1 board representative

Fair value of DUPD share:	USD 0.4 m

1 Sky Mall (Kyiv)

Gross leasable area (operating):	68,000sqm
Key Tenants:	Auchan, Foxtrot, Inditex Group, Planetatoys, Marks & Spencer, Bonjour, New Yorker, Multiplex Cinema

2 Rayon (Kyiv)

Gross leasable area (operating):	24,250 sqm
Key Tenants:	Silpo, Comfy, Reserved, Sportmaster, LC Waikiki, Gloria Jeans, Game park

3 Sun Gallery (Kryvyi Rig)

Gross leasable area (operating):	34,740 sqm
Key Tenants:	Auchan, Comfy, Sportmaster, Fly Park, Gloria Jeans, New Yorker

4 South Gallery (Simferopol)

Gross leasable area (operating):	36,690 sqm
Key Tenants:	Auchan, Comfy, PoiskHome, Foxtrot, Baby Bum, Детский Мир

5 City Mall (Zaporizhzhya)

Gross leasable area (operating):	21,480 sqm
Key Tenants:	Auchan, OGGI, Comfy,Colin's, LC Waikiki, Kari, Budynok Igrashok

6 Prospect (Kyiv)

Gross leasable area (operating):	30,650 sqm (excluding Auchan)
Key Tenants:	Auchan (co-investor), Names UA, LC Waikiki, Foxtrot, Reserved, JYSK, Planetatoys, Fly Park, Multiplex Cinema

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):	39,200 sqm

4. Riviera Villas

- Elite cottage community near Kyiv
- Project consists of two land parcels, one owned by DUPD and one owned by its partner
- Unique luxury leisure infrastructure
- Utilities on the site and waterfront infrastructure completed
- Total of 3.6 ha of land is sold (29%)

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	12.7 ha
DUPD share of overall project:	59.6%
Fair value of DUPD share:	USD 4.2 m

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
- 7.0 ha (43%) out of 16.2 ha of land is sold, including 1.1 ha sold in 1H 2016 (vs. 0.6 ha sold in 1H 2015)
- 50 families living in the community.

- Construction works in Phase 2 are on schedule.

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	16.2 ha
DUPD Share:	100%
Fair value:	USD 4.1 m

6. Sadok Vyshnevy

- 38 apartments in a town-house community in Kyiv suburbs
- Utilities on the site
- All homes commissioned, and available for sale
- 19 apartments or 50% of all apartments sold

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	1.6 ha
DUPD Share:	100%
Fair value:	USD 1.2 m

7. 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 0.2m

8. **Glangate**

- Two land plots for shopping centre development in second-tier regional cities of Kremenchuk and Rivne
- Rivne land plot was sold in July 2016 for cash consideration of $1.3 m, which was received in full.
- Kremenchuk land plot is offered for sale

Details

Location:	Kremenchuk
Land Title:	Freehold/Leasehold
Land Area:	3.9 ha
GLA:	26,530 sqm
DUPD Share:	100%
Fair value land plot:	USD 0.5 m

Statement of financial position as at 30 2016

(in thousands of USD)	*Note*	**30 June 2016**	31 December 2015
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	*4*	**41,285**	43,625
Total non-current assets		**41,285**	43,625
Current assets			
Other accounts receivable	*5*	**69**	58
Cash and cash equivalents	*6*	**8,425**	15,912
Total current assets		**8,494**	15,970
Total assets		**49,779**	59,595
Equity and Liabilities			
Equity			
Share capital	*7*	**2,187**	2,187
Share premium		**271,251**	277,265
(Accumulated losses)/retained earnings		**(224,567)**	(221,065)
Total equity		**48,871**	58,387
Current liabilities			
Other accounts payable	*8*	**908**	1,208
Total current liabilities		**908**	1,208
Total liabilities		**908**	1,208
Total equity and liabilities		**49,779**	59,595

These financial statements were approved by the Board of Directors on 21 September 2016 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 6 months ended 30 June 2016

(in thousands of USD)	*Note*	**6 months 2016**	6 months 2015
Net loss from financial assets at fair value through profit or loss	*10*	**(2,228)**	(20,619)
Management fee	*9*	**(850)**	(1,050)
Administrative expenses	*11*	**(226)**	(267)
Other income		**62**	282
Other expenses		**(55)**	(20)
Performance fee	*9*	**(211)**	-
Total operating expenses		**(3,508)**	(21,674)
Finance income		**7**	1
Finance costs		**(1)**	-
Loss from operating activities		**(3,502)**	(21,673)
Net loss and total comprehensive loss for the period		**(3,502)**	(21,673)
Loss per share			
Basic loss per share (in USD)	*7*	**(0,03)**	(0.20)
Diluted loss per share (in USD)	*7*	**(0,03)**	(0.20)

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

Statement of cash flows for the 6 months ended 30 June 2016

(in thousands of USD)	*Note*	**6 months 2016**	6 months 2015
Cash flows from operating activities			
Loss before income tax		**(3,502)**	(21,673)
Adjustments for:			
Net loss from financial assets at fair value through profit or loss	*10*	**2,228**	20,619
Finance income		**-**	-
Finance costs		**-**	(1)
Interest received		**7**	1
Loans granted		**(33)**	(417)
Loans repaid		**150**	296
Operating cash flows before changes in working capital		**(1,150)**	(1,175)
Change in other accounts receivable		**(11)**	4,348
Change in other accounts payable		**(313)**	(730)
Cash flows (used in)/from operating activities		**(1,474)**	2,443
Distribution to the shareholders	7	**(6,014)**	(6,014)
Cash flows (used in)/from financial activities		**(6,014)**	(6,014)
Net change in cash and cash equivalents		**(7,488)**	(3,571)
Cash and cash equivalents at 1 January		**15,912**	16,549
Effect of foreign exchange fluctuation on cash balances		**1**	(3)
Cash and cash equivalents at 30 June		**8,425**	12,975

(in thousands of USD)	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total
Balances at 1 January 2015	2,187	277,265	(187,097)	92,355
Total comprehensive loss for the year				
Net loss	-	-	(33,968)	(33,968)
Transactions with owners of the Company	-	-	**-**	**-**
Total transactions with owners of the Company	**-**	**-**	-	-
Balances at 31 December 2015	**2,187**	**277,265**	**(221,065)**	**58,387**
Total comprehensive loss for the 6 months				
Net loss			**(3,502)**	**(3,502)**
Total comprehensive loss for the year			**(3,502)**	**(3,502)**
Contributions by and distributions to owners		**(6,014)**		**(6,014)**
Balances at 30 June 2016	**2,187**	**271,251**	**(224,567)**	**48,871**

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. With effect from July 1, 2015 the registered office of the Company has changed to 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, Isle of Man IM1 1EU.

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 deteriorated significantly in 2014. Political and social unrest, which started in November 2013 has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and contributed to further depletion of the National Bank of Ukraine's foreign currency reserves. As a result, downgrading of the Ukrainian sovereign debt credit ratings occurred.

In March 2014 Autonomous Republic of Crimea (Crimea) was annexed by the Russian Federation and this annexation is not recognised by the international community. This event resulted in a significant deterioration of political and economic relationships between Ukraine and the Russian Federation. Following the annexation of Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily to the parts of Donetsk and Lugansk regions. In May 2014, unrest escalated into military clashes and armed conflict between armed supporters of the self-declared republics of Donetsk and Lugansk regions and the Ukrainian forces. As at the date these financial statements were authorised for issue part of 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 these regions.

Disruption of economic ties with Crimea and economic disruption in Donetsk and Lugansk regions because of the military conflict has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings in 2015. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included in certain specific cases restrictions on purchases of foreign currency, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and certain restrictions on cash withdrawals from banks. These measures allowed to increase foreign currency reserves and stabilise the exchange rate by the end of 2015. Subsequently Ukrainian sovereign debt credit ratings have improved one notch.

Though the foreign currency restrictions were gradually eased by the National Bank of Ukraine they are still in place with no clear indication when they would be fully lifted. For the first 2 quarters of 2016 current accounts deficit remained at moderate levels (below 1%), the foreign currency reserves remained at quite comfortable level thus resulting in a relatively stable exchange rate of US dollar to hryvnia.

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

Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(i) Determination of functional currency

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

(d) Use of judgments, estimates and assumptions

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and could lead to significant adjustment in the next financial year are included in the following notes:

- Note 3(a) – Determination of investment entity criteria
- Note 4 – 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 4 – financial assets at fair value through profit or loss.

(e) Going concern

These financial statements are prepared on a going concern basis. For the 6 months 2016 the Company incurred a net loss of USD 3,502 and had negative cash flows from operating activities of USD 7,488 thousand. As at that date the Company's current assets exceeded its current liabilities by USD 7,586 thousand and its Net Asset Value amounted to USD 48,871 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.

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 Company.

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

Considering the above, the Company's management determined that the Company meets the definition of investment entity in accordance with IFRS 10 *Consolidated Financial Statements* and, accordingly, the Company has not consolidate its subsidiaries. Before 1 January 2014 the Company's management consolidated all of its investments at fair value through profit or loss. The Company now measures its investment 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	
			30 June 2016	31 December 2015
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 centre**	**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%
Comfort House – Obolon LLC	Ukraine	**Obolon Residences**	**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%
Closed investment fund “Development 2”	Ukraine	**Obolon Residences**	**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 gain or losses recognised in profit or loss (see note 3(a)).

Investments in associates comprise the investment in Hindale Executive Investments Limited (part of investment in the Avenue Shopping Centre project).

(d) Loans receivable from investees

In additional 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 of 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)).

Other loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Share capital

Ordinary shares

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

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

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

(g) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

An impairment loss is calculated as the difference between the asset's carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or. 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.

(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.

Further, as stated in note 13(b), the Company's investees perform most of their operations in Ukraine and are therefore within the jurisdiction of the Ukrainian tax authorities.

(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.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the six-month period ended 30 June 2016, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's financial statements (subject to adoption by the EU). The Company plans to adopt these pronouncements when they become effective.

I*FRS 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* 2017. The amendments are not expected to have a significant effect on the Company's financial statements.

Disclosure Initiative (amendments to IAS 7) require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Amendments to IAS 7 *is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of amendments to IAS 7. The Company does not intend to adopt this standard early.*

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 2017.

Financial assets at fair value through profit or loss

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

(in thousands of USD)	**Project**	**30 June 2016**	31 December 2015
Investments at fair value through profit or loss			
Subsidiaries			
Landzone Ltd	Avenue Shopping Centre	**203**	207
Stenfield Finance Ltd	Riviera Villas	**-**	-
Mountcrest Ltd	Riviera Villas	**-**	-
Linkdell Ltd	Financing company	**-**	-
Glangate Ltd	Rivne and Kremenchuk	**-**	-
Blueberg Trading Ltd	Green Hills	**-**	-
Riverscope Ltd	Land Bank	**-**	-
Landshere Ltd	Land Bank	**-**	-
Linkrose Ltd	Green Hills	**-**	-
Startide Ltd	Obolon Residences	**-**	-
		203	207
		-	-
Other investments			
Arricano Real Estate plc	Arricano	**381**	2,110
		381	2,110
Loans receivable at fair value through profit or loss			
Startide Ltd	Obolon Residences	**12,952**	13,215
Riverscope Ltd	Land Bank	**6,542**	7,900
Linkdell Ltd	Financing company*	**8,198**	8,121
Landshere Ltd	Land Bank	**4,906**	4,266
Linkrose Ltd	Green Hills	**4,270**	3,429
Stenfield Finance Ltd	Riviera Villas	**1,424**	1,813
Glangate Ltd	Rivne and Kremenchuk	**1,585**	1,148
Blueberg Trading Ltd	Green Hills	**824**	677
Mountcrest Ltd	Riviera Villas	**-**	739
		40,701	41,308
		41,285	43,625

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

(in thousands of USD)	**30 June 2016**	31 December 2015
Project	**Fair value**	Fair value
Sadok Vyshnevyi	**3,232**	2,812
Riviera Villas	**2,357**	2,904
Obolon Residences	**1,366**	1,413
Green Hills	**963**	766
Rivne and Kremenchuk	**280**	226
	8,198	8,121

(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 had been accounting for its shareholding in Arricano at its market price.

There was no active market trading in Arricano shares during 2016 and 2015. Therefore, management used the adjusted net assets method to estimate the fair value of investment in Arricano. The Company's management considers this to be the most appropriate method to estimate the fair value of the Company's investment in Arricano. Under this valuation method Arricano's net assets value as at 31 December 2015 (as per Arricano's published audited financial statements as at 31 December 2015 and 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 30 June 2016 and 31 December 2015 respectivly, and multiplied by the Company's share in Arricano's net assets. To assist with the estimation of change in fair value of commercial retail real estate property in Ukraine for the six-month period ended 30 June 2016 and 31 December 2015, the Directors engaged independent appraiser DTZ Kiev B.V.

(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 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.

(ii) Disposal of investment in associate

During 2015 the Company disposed its investment in Henryland Group Limited for consideration amounting to USD 569 thousand. As a result of the disposal the Company recognised a net gain on disposal in amount of USD 32 thousand.

Composition of assets and liabilities of the investment projects as at 30 June 2016 are as follows:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshnevy**	**Avenue Shopping Centre**	**Land bank**	**Rivne and Kremenchuk**	**Total**
Assets								
Non-current assets								
Investment properties	4,185	4,116	-	-	1,310	7	543	**10,161**
Prepayments for land	-	-	-	-	-	11,441	-	**11,441**
Financial assets at fair value through profit or loss							1,321	**1,321**
Property and equipment	215	127	333	-	-	-	-	**675**
Intangible assets	1	-	3	-	-	-	-	**4**
Total non-current assets	**4,401**	**4,243**	**336**	**-**	**1,310**	**11,448**	**1,864**	**23,602**
Inventories	25	76	16,542	1,233	0	-	-	**17,876**
Trade and other receivables	80	1,426	2,162	1,822	1,943	-	-	**7,433**
VAT recoverable	129	453	1	-	-	-	-	**583**
Prepaid income tax	2	-	2	24	-	-	-	**28**
Cash and cash equivalents	48	199	865	152	154	4	5	**1,427**
Total current assets	**284**	**2,154**	**19,572**	**3,231**	**2,096**	**4**	**5**	**27,346**
Total assets	**4,685**	**6,397**	**19,908**	**3,231**	**3,406**	**11,452**	**1,869**	**50,948**
Non-current liabilities								
Deferred tax liabilities			1,608	-	209	-		**1,817**
Long-term loans payable	21,171	32,639	40,094	17,517	-	224,349	12,113	**347,883**
Other long-term loans payable	-	-	4	-	111	-	-	**115**
Total non-current liabilities	**21,171**	**32,639**	**41,706**	**17,517**	**320**	**224,349**	**12,113**	**349,815**
Current liabilities								
Trade and other payables	904	342	3,978	-	69	3	3	**5,299**
Total current liabilities	**904**	**342**	**3,978**	**-**	**69**	**3**	**3**	**5,299**
Total liabilities	**22,075**	**32,981**	**45,684**	**17,517**	**389**	**224,352**	**12,116**	**355,114**
Net identifiable assets and liabilities	**(17,390)**	**(26,584)**	**(25,776)**	**(14,286)**	**3,017**	**(212,900)**	**(10,247)**	**(304,166)**
Ownership	**100%**	**100%**	**100%**	**100%**	**18.77%**	**90%**	**100%**	
Fair value of investment					**203**			**203**
Nominal amount of loans receivable	**21,171**	**32,639**	**40,094**	**17,517**	**-**	**224,349**	**12,113**	**347,883**
Fair value of loans receivable (note 5)	**3,782**	**6,057**	**14,317**	**3,232**	**-**	**11,447**	**1,865**	**40,701**

Composition of assets and liabilities of respective investment projects is as follows as at 31 December 2015:

(in thousands of USD)	**Riviera Villas**	**Green Hills**	**Obolon Residences**	**Sadok Vyshnevy**	**Avenue Shopping Centre**	**Land Bank**	**Rivne and Kremenchuk**	**Total**
Assets								
Non-current assets								
Investment properties	5,154	4,028	-	-	1,350	7	1,495	**12,034**
Prepayments for land	-	-	-	-	-	12,245	-	**12,245**
Property and equipment	52	112	13	-	-	-	-	**177**
Intangible assets	1	-	2	-	-	-	-	**3**
Total non-current assets	**5,207**	**4,140**	**15**	**-**	**1,350**	**12,252**	**1,495**	**24,459**
Current assets								
Inventories	19	73	15,181	1,485	-	-	-	**16,758**
Trade and other receivables	1,529	1,138	2,241	1,160	130	-	-	**6,198**
VAT recoverable	129	415	23	-	-	-	1	**568**
Prepaid income tax	2	-	2	23	-	-	-	**27**
Cash and cash equivalents	31	97	453	224	102	4	7	**918**
Total current assets	**1,710**	**1,723**	**17,900**	**2,892**	**232**	**4**	**8**	**24,469**
Total assets	**6,917**	**5,863**	**17,915**	**2,892**	**1,582**	**12,256**	**1,503**	**48,928**
Non-current liabilities								
Deferred tax liabilities	-	-	2,371	-	272	-	124	**2,767**
Long-term loans payable	24,031	31,927	39,211	17,452	-	218,580	12,078	**343,279**
Other long-term payables	-	-	-	-	110	-	-	**110**
Total non-current liabilities	**24,031**	**31,927**	**41,582**	**17,452**	**382**	**218,580**	**12,202**	**346,046**
Current liabilities								
Trade and other liabilities	1,461	991	916	80	97	90	5	**3,640**
Total current liabilities	**1,461**	**991**	**916**	**80**	**97**	**90**	**5**	**3,640**
Total liabilities	**25,492**	**32,918**	**42,498**	**17,532**	**479**	**218,670**	**12,207**	**349,686**
Net identifiable assets and liabilities	**(18,575)**	**(27,055)**	**(24,583)**	**(14,640)**	**1,103**	**(206,414)**	**(10,704)**	**(300,868)**
Ownership	**100%**	**100%**	**100%**	**100%**	**18.77%***	**100%**	**100%**	
Fair value of equity investment	**-**	**-**	**-**	**-**	**207**	**-**	**-**	**207**
Nominal amount of loans receivable	**24,031**	**31,927**	**39,211**	**17,452**	**-**	**218,580**	**12,078**	**343,279**
Fair value of loans receivable	**5,456**	**4,872**	**14,628**	**2,812**	**-**	**12,166**	**1,374**	**41,308**

To assist with the estimation of fair value of investment properties, prepayments for land and inventories (together “the real estate projects”) as at 30 June 2016 and 31 December 2015, 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.

Management did not engage independent appraiser to arrive fair value of Rivne project. In July 2016 the project was sold for consideration fully received in cash of USD 1,321 thousand. The selling price was agreed with the buyer before 30 June 2016 and therefore is an appropriate indicator of project fair value.

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

Investment properties

As at 30 June 2016 and 31 December 2015 investment property was represented by Green Hills and Riviera Villas, and 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.

The estimation of fair value was made using a net present value calculation based on certain assumptions, which represent key unobservable inputs, the most important of which as at 30 June 2016 are as follows:

- monthly rental rates - which were based on current rental rates ranging from USD 3.6 to USD 33.7 per sq. m.
- development costs based on current construction prices
- average sales price of cottages ranging from USD 827 to USD 1,469 per sq.m.
- discount rate ranging from 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.
- 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 2015 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 4 to USD 33.7 per sq. m.
- development costs based on current construction prices
- average land sales price ranging from USD 843 to USD 1,624 per sq.m.
- discount rate – from 23% to 24.5%
- sales period – from 1 to 7 years

- all relevant licenses and permits, to the extent not yet received, will be obtained, in accordance with the timetables as set out in the investment project plans..

Prepayments for land

Land plots for the land bank project with a total area of 483 ha are currently registered for agricultural use, and the rezoning process to change the purpose of the land plots to construction use was in progress as at 30 June 2016 and 31 December 2015. 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 30 June 2016 are as follows:

- average present value market prices ranging from USD 30 thousand to USD 300 thousand per ha
- discount rates ranging from 21.5% to 22.5%
- sales period – from 1 to 7 years

As at 31 December 2015 the respective assumptions were as follows:

- average present value market prices ranging from USD 33 thousand to USD 211 thousand per ha
- discount rates ranging from 21,5% to 22,5%
- sales period – from 1 to 7 years

Inventory

As at 30 June 2016 and 31 December 2015 inventory was represented by the gated community Sadok Vyshnevyi (22 newly constructed flats in townhouses and relevant land plots) and the Obolon project (residential complex in Kyiv under construction).

The estimation of fair value was made using a net present value calculation based on certain assumptions, which represent key unobservable inputs, the most important of which as at 30 June 2016 are as follows:

- average market prices ranging from USD 414 to USD 1,940 per sq m
- discount rates ranging from 19.25% to 23.5%
- sales period – from 2 to 5 years

As at 31 December 2015 the respective assumptions were as follows:

- average market prices ranging from USD 475 to USD 2,222 per sq m
- discount rates ranging from 19% to 23.5%
- sales period – from 2 to 5 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, other accounts payable. The carrying amount of such instruments approximates their fair value due to their short-term nature (except for loans payable).

(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).

Other accounts receivable

Other accounts receivable are as follows:

(in thousands of USD)	**30 June 2016**	31 December 2015
Other receivables	**25**	34
Prepayments made	**44**	24
Total	**69**	58

Cash and cash equivalents

Cash and cash equivalents are as follows:

(in thousands of USD)	**30 June 2016**	31 December 2015
Bank balances	**8,425**	12,912
Call deposits	**-**	3,000
Total	**8,425**	15,912

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

(in thousands of USD)	**30 June 2016**	31 December 2015
Bank balances		
AA-	**3,353**	3,349
A+	-	-
A	**5,072**	9,562
	8,425	12,912
Call deposits		
A	-	3,000
	-	3000
Total	**8,425**	15,912

Equity

Movements in share capital and share premium are as follows:

	Ordinary shares	**Amount**
	Number of shares	*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**
Outstanding as at 31 December 2015, fully paid	**109,361,515**	**2,187**
Outstanding as at 30 June 2016, 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 the net proceeds per share and par value was 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 investment manager's performance fee for 2007 in the amount of USD 4,432 thousand.

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

Following the extraordinary general meeting of members of the Company on 29 May 2009, 12,664,201 of its own shares were authorised for repurchase by the Company and were cancelled. The purchase price of the repurchased shares ranged from USD 0.53 to USD 0.68 per share. The difference between the total price paid and par value was 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 the repurchased shares ranged from USD 0.48 to USD 0.63 per share. The difference between the total price paid and par value was recognised as share premium decrease.

Distribution to the Company’s shareholders

On 22 January 2016 the Directors, after having reviewed the updated cash flow projection prepared by the Manager and acting in line with the Company’s investing policy to distribute funds received from the sale of the Company’s assets, adopted a resolution for a distribution to the Company’s shareholders in the amount of USD 0.055 per share or USD 6,014 thousand in total under article 128 of the Company’s Articles of Association. On 19 February 2016 payment of USD 6,014 thousand has been made to the Company’s shareholders.

On 24 December 2014 following the adoption of the new investing policy in early 2014 and an assessment of the Company’s working capital requirements, the Board of Directors decided to declare a distribution of USD 0.055 per Ordinary Share, which was in accordance with its investing policy of distributing surplus funds to the Company’s shareholders. On 22 January 2015 following a resolution of the Board of Director dated 29 December 2014 a payment of USD 6,014 thousand has been made to the Company’s shareholders.

Other accounts payable

Other accounts payable are as follows:

(in thousands of USD)	**30 June 2016**	31 December 2015
Management fees	**850**	1,050
Other payables and accrued expenses	**28**	129
Advances received	**30**	29
Total other accounts payable	**908**	1,208

Management and performance fees

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

(in thousands of USD)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
Management fee	**850**	1,050
Performance fee	**211**	-
Total	**1,061**	1,050

Unpaid management fees as at 30 June 2016 amounted to USD 850 thousand (31 December 2015: USD 1,050 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 24) 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 6 months ended 30 June 2016 is USD 850 thousand (6 months ended 30 June 2015: USD 1,050 thousand). The total performance fee for the 6 months ended 30 June 2016 is USD 211 thousand (6 months ended 30 June 2015: nil).

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 6 months ended 30 June is as follows:

(in thousands of USD)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
Interest income	**8,073**	8,022
Loss on investments at fair value through profit or loss	**(1,733)**	(12,491)
Loss from loans receivable at fair value through profit or loss	**(8,568)**	(16,150)
Net loss from financial assets at fair value through profit or loss	**(2,228)**	(20,619)

Administrative expenses

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

(in thousands of USD)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
Professional services	**108**	158
Advertising	**26**	37
Directors' fees	**44**	44

Audit fees	**37**	18
Bank charges	**2**	4
Insurance	**9**	5
Other	**-**	1
Total administrative expenses	**226**	267

Contingencies

(a) Litigation

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

(b) Taxation contingencies

The Company is not subject to any tax charges within Isle of Man jurisdiction, however the Company's investees perform most of their operations in Ukraine and are therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation which may be applied retrospectively, 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 6 months ended 30 June 2016 attributable to the ordinary shareholders of the Company of USD 3,502 thousand (6 months ended 30 June 2015: USD 21,673 thousand) and the weighted average number of ordinary shares outstanding, calculated as follows:

(number of shares weighted during the period outstanding)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
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

Diluted earnings per share

As at 30 June 2016 and 31 December 2015 there were no options or warrants in issue. Therefore, there was no dilution on the Company's basic earnings per share.

Fair values and financial risk management

(a) Accounting classifications and fair values

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

		Carrying amount				Fair value			
(in thousands of USD)	*Note*	**Designated at fair value**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2016									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*5*	**41,285**	**-**	**-**	**41,285**	**-**	**-**	**41,285**	**41,285**
		41,285	**-**	**-**	**41,285**	**-**	**-**	**41,285**	**41,285**
Financial assets not measured at fair value									
Cash and cash equivalents	*7*		**8,425**		**8,425**				
Other accounts receivable	*6*		**69**		**69**				
			8,494		**8,494**				
Financial liabilities not measured at fair value									
Other accounts payable	*9*			**862**	**862**				
				862	**862**				

(in thousands of USD)	*Note*	Carrying amount: Designated at fair value	Carrying amount: Loans and receivables	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
31 December 2015									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss		**43,625**	**-**	**-**	**43,625**	**-**	**-**	**43,625**	**43,625**
		43,625	**-**	**-**	**43,625**	**-**	**-**	**43,625**	**43,625**
Financial assets not measured at fair value									
Cash and cash equivalents	*6*	**-**	**15,912**	**-**	**15,912**				
Other accounts receivable		**-**	**58**	**-**	**58**				
		-	**15,970**	**-**	**15,970**				
Financial liabilities not measured at fair value									
Other accounts payable	*8*	**-**	**-**	**1,208**	**1,208**				
		-	**-**	**1,208**	**1,208**				

(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 4 – Financial assets at fair value through profit and loss

Reconciliation of Level 3 fair values

The following table shows 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 2015		75,303
Loss included in profit or loss		
Interest income	*10*	8,022
Gain/(Loss) on investments at fair value through profit or loss	*10*	(12,491)
Loss from loans receivable at fair value through profit or loss	*10*	(16,150)
Loans granted/(repaid)	*10*	120
Balance at 30 June 2015		**54,804**
Balance at 1 January 2016		43,625
Loss included in profit or loss		
Interest income		8,073
Loss on investments at fair value through profit or loss	*10*	(1,733)
Loss from loans receivable at fair value through profit or loss	*10*	(8,568)
Loans granted/(repaid)1		(112)
Balance at 30 June 2016		**41,285**

(c) Financial risk management

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

(i) Risk management policy

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

(ii) Credit risk

Loans receivable

The Company issues loans to its subsidiaries. All these loans are unsecured and stated at fair value in these financial statements. Recoverability of these loans receivable depends on timely realisation of the real estate projects (see note 4). As at 30 June 2016, USD 40,701 thousand or 76% of the total loans receivable are due from three counterparties, which further invest in the Obolon Residences and Land Bank projects (31 December 2015: USD 29,236 thousand or 71%)

Other accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. As at 30 June 2016, USD 25 thousand or 92% of total other accounts receivable are due from two counterparty (31 December 2015: USD 43 thousand or 75% are due from two counterparties).

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 is as follows:

(in thousands of USD)	**30 June 2016**	31 December 2015
Loans receivable	**40,701**	41,308
Cash and cash equivalents	**8,425**	15,912
Other accounts receivable	**69**	58
Total	**49,195**	57,278

(iii) Liquidity risk

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

The following are the contractual maturities of financial liabilities as at 30 June 2016:

		Contractual cash flows			
(in thousands of USD)	**Carrying amount**	**Total**	**Within one year**	**2-5 years**	**More than 5 years**
Other accounts payable	**862**	**862**	**862**	-	-
	862	**862**	**862**	-	-

The following are the contractual maturities of financial liabilities as of 31 December 2015:

		Contractual cash flows			
(in thousands of USD)	Carrying amount	Total	Within one year	2-5 years	More than 5 years
Other accounts payable	1,208	1,208	1,208	-	-
	1,208	1,208	1,208	-	-

(iv) Market risk

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

Interest rate risk

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

Foreign currency risk

The majority of the Company's income, expenses, assets and liabilities are denominated in US dollars. However, the underlying cash flows of the Company's investees are denominated in Ukrainian hryvnias. 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 the subject to externally imposed capital requirements.

Related party transactions

(a) Transactions with management and close family members

(i) Directors' remuneration

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

(in thousands of USD)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
Directors' fees	**44**	44
Total management remuneration	**44**	44

(ii) Key management personnel and director transactions

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

	30 June 2016		31 December 2015	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %
Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director)*	**19,233,871**	**17.59**	18,927,822	17.31
	19,233,871	**17.59**	18,927,822	17.31

- Dragon Capital Group holds its shares in the Company though nominal shareholder, Vidacos Nominees Limited as at 30 June 2016 and 31 December 2015

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.

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

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

In 2016 Dragon Capital Group sold 55,930 and purchased 366,300 ordinary shares bringing its current shareholding to 19,233,871 or 17.59 % of the issued share capital

(b) Transactions with subsidiaries

Outstanding balances with subsidiaries are as follows:

(in thousands of USD)	**30 June 2016**	31 December 2015
Loans receivable	**40,701**	41,892
Other accounts receivable	**281**	281
Allowance for impairment of other accounts receivable	**(281)**	(281)
Total	**40,701**	41,892

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

(in thousands of USD)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
Interest income	**8,073**	8,022
Loss from loans receivable at fair value through profit or loss	**(9,152)**	(16,150)
Total	**(1,079)**	(8,128)

(c) 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 are as follows:

(in thousands of USD)	**30 June 2016**	31 December 2015
Other accounts payable	**850**	1,050
Total	**850**	1,050

Expenses incurred in transactions with other related parties as at 30 June are as follows:

(in thousands of USD)	**6 months ended 30 June 2016**	6 months ended 30 June 2015
Management fee	**850**	1,050
Total	**850**	1,050

Events subsequent to the reporting date

In July 2016 the Company has sold Rivne project for consideration fully received in cash of USD 1,321 thousand.
During July 2016 Dragon Capital Group sold 11,000 and purchased 210,258 ordinary shares bringing its current shareholding to 19,433,129 shares or 17.70 % of the issued share capital of the Company.