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

Results for the year ended 31 December 2016

Dragon-Ukrainian Properties & Development plc, a leading investor in the real estate sector in Ukraine, is pleased to announce its results for the year ended 31 December 2016.

Highlights

Operational Highlights

- The Company continues to follow its investing policy as approved by shareholders at the EGM in February 2014.

- Phase 2 of the Obolon Residences project was sold to a third-party developer in 2015 and was commissioned in February 2017. Construction of phase 3 is expected to commence in 2017. Obolon Residences generated sales of USD 4.2 million in 2016. Obolon Residences won a prestigious European Property Award 2016-2017 in the High-Rise Architecture category

- Green Hills, the suburban gated community, continued to capitalize on its high quality and leading position in the market as 29 land plot were sold during 2016 (2015: 23, 2014: 6)

- Sale of one of the two Glangate land plots for shopping centre development for a total consideration of USD 1.3 million, a substantial premium to its book value

Financial Highlights

- Total NAV of USD 47.7 million as of 31 December 2016 (down from USD 58.4 million as of 31 December 2015).

- Cash balance of USD 7.8 million (compared to USD 15.9 million as of 31 December 2015); significant decrease in cash balance is due to the USD 6 million distribution paid to shareholders. Company has no leverage

- DUPD incurred a USD 4.7 million loss from operating activities in 2016 (2015: USD 34.0 million loss), USD 2.3 million of which was attributable to the decrease in fair value of the Company's projects (2015: USD 31.3 million decrease)

Mark Iwashko, non-executive Chairman of the Board commented in his statement "…The improving economic environment in Ukraine helped stabilize the real estate market in the country in 2016; however, the demand for real estate, while improving, remained weak. As such, DUPD was able to stem the decrease in fair value of the Company's outstanding investments but saw only a slight uptick in the sale of its properties during the year."

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Chairman's Statement

The year 2016 marked a turning point for Ukraine as the economy finally began to grow again after two consecutive years of steady and significant decline. Gross Domestic Product increased by 2.3% in 2016, ushering the country into what is expected to be period of long-term growth and recovery from the cumulative 16% contraction that took place over the preceding two years. At the same time, inflation was held to a moderate 12.4% and the currency stabilized, weakening only 12% against the US dollar during the course of the year.

The return to macroeconomic stability and economic growth last year was the result of the continued financial support by the IMF and the implementation of significant reforms by the Ukrainian Government over the last three years. Some of the Government's significant achievements thus far include the elimination of costly subsidies in the energy sector; improved governance of Ukraine's state-owned-enterprises, including the appointment of independent directors and highly qualified CEOs; deregulation of the business environment; clean-up of the banking sector, resulting in the closure of over 80 non-performing banks and the nationalization of the country's largest lender in 2016; the implementation of an electronic public procurement system that is expected to eliminate hundreds of millions of dollars of waste and fraud annually; and the enactment of a free trade agreement with the European Union to help replace lost exports to Russia.

However, much work remains to be done before economic growth can accelerate to levels necessary to help close the vast GDP per capita gap that currently exists between Ukraine and its east European peers. Key priorities for the Government in the near-term include the establishment of a transparent and functioning market for farmland; reform of the country's pension system and reduction of its deficit; privatization of the majority of Ukraine's 3,500 state-owned-enterprises; and the strengthening of the rule of law and further reduction of corruption.

Despite Ukraine's steady progress on the reform front, the country remains exposed to other risk factors that can impact its economic performance. Last year saw an escalation of military hostilities with separatists in eastern Ukraine despite the existence of Minsk II cease-fire agreement. In addition, a blockade of rail traffic to the separatist enclave by Ukrainian nationalists resulted in the separatists responding by "nationalizing" about 40 companies (mostly steel mills and coal mines) that had been paying taxes to the Ukrainian budget. On March 15, 2017, Ukraine formally halted commercial goods traffic (both rail and motorway) with the separatist territories, which will likely dampen GDP growth slightly in 2017.

The improving economic environment in Ukraine helped stabilize the real estate market in the country in 2016; however, the demand for real estate, while improving, remained weak. As such, DUPD was able to stem the decrease in fair value of the Company's outstanding investments but saw only a slight uptick in the sale of its properties during the year. As per its investment policy DUPD remained focused on the orderly realization of its assets while only modestly and prudently investing in the development of its existing residential development projects in order to enhance the value and suitability of these projects. On that front, the Company was able to generate USD 8.5 million in contracted sales of its residential properties and collect USD 6.7 million in cash proceeds in 2016 with especially strong performances coming from Obolon Residences and Green Hills. In addition, DUPD was able to sell one of the two Glangate land plots for shopping centre development for a total consideration of USD 1.3 million, a substantial premium to its book value.

Financial Results

Overall, DUPD incurred a USD 4.7 million loss from operating activities in 2016 (2015: USD 34.0 million loss), USD 2.3 million of which was attributable to the decrease in fair value of the Company's projects (2015: USD 31.3 million decrease). As a result of this and distribution of USD 6 million to shareholders in February 2016, the Company's Net Asset Value decreased by USD 10.7 million to USD 47.7 million as of 31 December 2016.

DUPD's Land Bank project was the largest contributor to the decrease in fair value of the Company's projects in 2016, declining USD 1.5 million due to a continued weakening in the demand for undeveloped land. The fair value of DUPD's shareholding in Arricano Real Estate Plc, meanwhile, increased by USD 0.9 million as a result of the improving retail environment in Ukraine.

Corporate Governance

There were no changes in the make-up of the Board of Directors of DUPD in 2016.

Awards

Obolon Residences became a winner of a prestigious European Property Award 2016-2017 in the High-Rise Architecture category.

Dividends and Investment Policy

Having reviewed the Company's performance in 2015, including the successful sale of the right to develop the 2nd phase of the Obolon Residence project for USD 5 million and further sales in Sadok Vyshnevy residential project, and having re-assessed the Company's working capital needs going forward the Board of Directors of the Company decided to make a distribution of USD 6,014,883, or USD 0.055 per Ordinary Share, to its shareholders in February 2016. No further distributions are planned for in 2017 at this time as a significant portion of cash proceeds from sales in 2016 have been reinvested in the Obolon Residences and Green Hills projects.

Shareholding

Dragon Capital acquired additional shares of DUPD in 2016 and early 2017 and now holds 22.04% of the issued share capital of the Company.

Outlook

The National Bank of Ukraine has downgraded its GDP growth forecast for 2017 from 2.8% to 1.9% due to the expected impact of the trade curbs with the separatist enclaves in the east, while the projection for 2018 stands at 3.2%. The inflation rate, meanwhile, is projected to come in at 9.1% in 2017 and 6.0% in 2018 and the country's international reserves are expected to continue to increase to USD 20.8 million as at the end of 2017 and USD 25.9 million as at the end of 2018. However, while the economy continues to grow we do not foresee a quick recovery for the real estate market in Ukraine that will allow rapid monetization of many of DUPD's properties in the near future. As such, the Board will continue to evaluate modest investments to protect and enhance the value and saleability of the Company's most promising projects that are already under development and have demonstrated their ability to generate cash in the near term.

Mark Iwashko
Non-executive Chairman
17 May 2017

Investment Manager's Report

Investment Manager's Report for the year ended 31 December 2016

The Ukrainian economy continued its gradual recovery in 2016, with real GDP growing 2.3% y-o-y. Early signs of stabilization propped up domestic demand, allowing us to moderately increase residential sales as well as dispose of one of our regional land plots in line with DUPD's divestment strategy.

In order to capitalize on the uptick in economic dynamics and to further our sales, we advanced the development of our residential projects, maintained a strong marketing presence, and remained focused on providing high quality services to our customers. In 2016, despite the hryvnia devaluing by 12%, our four residential projects generated USD 8.5 million in contracted sales (vs. USD 6.0 million in 2015 - not including the sale of rights to develop Phase 2 of Obolon Residences to a third party investor for USD 5.0 million) and USD 6.7 million in cash proceeds.

For the third year in a row, the largest share of sales, USD 4.2 million, was generated by Obolon Residences, the luxury apartment complex. Given its unique characteristics, the project enjoyed strong interest from customers, with the share of sold residential space in Phase 1 reaching 90% by the end of 2016. In February 2017, Phase 2 (sold to a third-party developer in 2015) was commissioned, generating positive news flow for the project in general. We also signed a letter of intent with McDonald's for the relocation of its restaurant, potentially paving the way for starting construction works on Phase 3 (the final phase) later this year.

Green Hills, the suburban gated community, continued to capitalize on its high quality and leading position in the market as we closed 29 land plot sales during 2016 (2015: 23, 2014: 6). Total contracted sales amounted to USD 2.4 million in 2016, and cash proceeds reached USD 1.7 million, with the combined land area sold to date reaching 8.2 hectares (50% of the total area for sales). In response to the fast expansion of the cottage community and to enhance the value and saleability of the remaining units, we commenced construction of a 2,000 m^2 fitness-centre and the second phase of the community's school in order to further expand the project's amenities as those have proven to be its most important selling point.

Riviera Villas, our luxury suburban community project, demonstrated more upbeat results in comparison with the previous year – a total of 4 land plots were sold during 2016. In line with our efforts to increase sales by catering to buyers of finished homes, we built 4 new and refurbished 7 existing houses.

There were 2 sales closed in 2016 in Sadok Vyshnevy (economy class townhouse community) for the total amount of USD 0.3 million, bringing the total number of sales to 18 out of 38 apartments.

In July, we sold one of the two remaining Glangate land plots zoned for shopping centre development. We received a total consideration of USD 1.3 million, which is USD 0.5 million more than the valuation by DTZ.

Our portfolio investment, Arricano Real Estate plc, in which DUPD holds a 12.51% stake, continued the LCIA arbitration process regarding its largest asset, Sky Mall. On May 5, 2016, the LCIA tribunal ordered Stockman Interhold S.A. to transfer the shares in Assofit, the SPV formerly owning the interest in the mall, to Arricano within 30 days for zero consideration. Stockman failed to transfer the shares in Assofit and appealed the ruling. On August 17, 2016, LCIA consequently ruled for Stockman to cover legal expenses of Arricano in the amount of USD 0.9 million.

Arricano's loan restructuring efforts resulted in an amendment agreement with the EBRD being signed on December 14, 2016. The amendment provided for the transfer of a USD 3.7 million loan from South Gallery (shopping mall in Simferopol) to Sun Gallery (shopping mall in Kryvyi Rih) with a certain restructuring of the aggregate repayment schedule.

During the year, Arricano increased its EBITDA (USD 15.8 million) and EBITDA margin (68.3%), against the backdrop of contracting vacancies and slightly growing rental rates across its portfolio of 5 shopping malls.

With strong residential sales and high quality of its projects, DUPD maintains its strong market position despite persisting challenges. The company remains on track with the orderly realisation of its assets and is focused on generating cash proceeds to its shareholders both via development of the residential projects and investment sales of its assets to local parties.

17 May 2017

Eugene Baranov Partner DCM Limited	Volodymyr Tymochko Partner DCM Limited

Market Overview 2016

Macroeconomic highlights

The Ukrainian economy recovered by 2.3% y-o-y in 2016 following a cumulative decline of 16% in 2014-15. A nascent revival began in mid-2015 on the back of a military de-escalation in the east and broader macroeconomic stabilization. Economic growth in 2016 was driven by an upsurge in domestic investment (+20% y-o-y) and incipient revival in household consumption, while real exports lagged, hit by Russian trade curbs. On the production side, GDP growth was supported by a record high grain harvest of 66 Mt, boosting agricultural production by 6% y-o-y, starting recovery in industrial production, and double-digit growth in construction. Real GDP is expected to expand by 2.5% y-o-y in 2017 and 3.5% in 2018, driven by expanding domestic investment and consumption demand.

The hryvnia weakened by 12% y-o-y to UAH 27.2:USD in 2016, responding to Russia's transit curbs imposed in early 2016 and an upsurge in fiscal spending at the end of the year. The widening of the current account deficit to USD 3.8 billion (4.1% of GDP) in 2016 compared with USD 189 million (0.2% of GDP) in 2015 resulted from a decline in goods exports as well as resumed growth of imports. Headline consumer inflation slowed to 12.4% y-o-y in 2016 from 43% in 2015 thanks to currency stabilization and moderate food price dynamics.

Bank lending remained frozen, with outstanding loans shrinking by 4% y-o-y on an F/X-adjusted basis, though deposits started to recover, rising by 5% y-o-y (F/X-adjusted). Only short-term working capital loans were available at 10-12% p.a. in USD and high-teens in the local currency.

Construction grew by 13% y-o-y following several years of decline, with recovery recorded in all major segments including residential (+13% y-o-y), non-residential (+17%) and infrastructure (+11%) construction.

Commercial property

Moderate inflation and growing nominal salaries led to an increase in real salaries of 14.3% in 2016. This helped fuel retail turnover (+4.8%), which in turn drove demand for retail space, resulting in a gradual decline in vacancies. Kyiv's prime shopping mall rents increased by 14% to $65/m²/month for a 100-200 m^2 average lots (Colliers Market overview 2016, p.8). The opening of Lavina Mall (GLA around115,000 m^2) in December 2016 inflated the vacancy rate to almost 10%; disregarding Lavina Mall, the vacancy rate actually fell to 4.5% from 5% (Colliers Market overview 2016, p.10).

The office segment saw a higher number of lease transactions in Class A and B business centres. Stronger demand and a lack of new office space (+38,000 m^2 or +2.2%) cut the vacancy rate from 17.5% to 14.4%, which however has not been sufficient for a rebound of rental rates (Colliers Market overview 2016, p.3). Total office take-up in Kyiv increased by 50% from 100,000 m^2 in 2015. Pharmaceutical, manufacturing and IT companies accounted for the bulk of new office demand.

The warehousing market also showed slight improvements in 2016. The vacancy rate fell to 6.6% from 10.5% in 2015, reflecting the lack of new supply, while rent levels remained depressed at $3-4.5/m²/month. Take-up of warehouse space increased by 27% compared to 2015, as logistics companies increased their operations, and totalled 80,000 m² (Colliers Market overview 2016, p.14).

Residential property

Low household purchasing power and rising utilities costs left buyers focusing on the cheaper "economy" and "comfort" apartments, offered at USD 500-600/m^2, which accounted for over 70% of the total number of market transactions. Kyiv's residential market saw more of new projects being started as it remained the only sector appealing to developers due to rather stable demand and the opportunity to use advances from customers as the main source of project funding.

Land

The land market remained characterized by oversupply, as demand from developers stayed anaemic with interest limited to selected land plots in Kyiv suitable for small to medium scale multi-apartment developments. Even so, barter schemes (a share of future apartments in exchange for the land plot) prevailed in this limited type of market transactions.

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:	500 ha
DUPD Share:	85%
Fair value of investment project:	USD 10.6m

2. Obolon Residences

- Luxury residential complex with office and retail premises
- Prime location in the prestigious Obolon district in Kyiv
- Winner of prestigious European Property Awards 2016-2017 in High-Rise Architecture category
- Construction of Phase 1 completed in 2015
- Phase 2 sold in 2015 for USD 5 million. Commissioned in February 2017
- Phase 3 in the preparatory stage, as McDonald's restaurant is being relocated to allow construction
- 90% of residential space in Phase 1 sold
- 100% of commercial space and 48% of parking lots sold

Details

Location:	Kyiv
Land Title:	Leasehold
Land Area:	1.07 ha
Sales area (excluding parking):	45,593 m^2
Phase 1:	16,960 m^2
Phase 3:	16,364 m^2
DUPD Share:	100%
Fair value of investment project:	USD 13.7 m

3. Arricano Real Estate plc

- The largest developer of shopping centres in Ukraine
- Company has been listed on the AIM market of the LSE (ARO LN) since 2013
- DUPD's shareholding is 12.51%, with one board representative
- Portfolio of nine shopping centres of which six are operational and three under various stages of development
- Involved in ongoing international legal dispute with a local partner over control of its largest project, Sky Mall
- Hryvnia devaluation and foreign currency loan portfolio together with high legal costs related to the Sky Mall dispute have put the company in a challenging financial situation

Summary

DUPD Share:	12.51%
Directors:	1 board representative
Fair value of investment	USD 24.2 m

project:

(i) Sky Mall (Kyiv)

Gross leasable area (operating):	67,000 m^2
Key Tenants:	Auchan, Foxtrot, Inditex Group, Planetatoys, Marks & Spencer, Bonjour, New Yorker, Multiplex Cinema

(ii) Rayon (Kyiv)

Gross leasable area (operating):	24,350 m^2
Key Tenants:	Silpo, Comfy, Reserved, Sportmaster, LC Waikiki, Gloria Jeans, Game park

(iii) Sun Gallery (Kryvyi Rig)

Gross leasable area (operating):	35,600 m^2
Key Tenants:	Auchan, Comfy, Sportmaster, Fly Park, Gloria Jeans, New Yorker,

(iv) South Gallery (Simferopol)

Gross leasable area (operating):	32,200 m^2
Key Tenants:	Auchan, Comfy, PoiskHome, Foxtrot, Baby Bum

(v) City Mall (Zaporizhzhya)

Gross leasable area (operating):	21,450 m^2
Key Tenants:	Auchan, OGGI, Comfy,Colin's In City, Kari,

(vi) Prospect (Kyiv)

Gross leasable area (operating):	30,400 m^2 (excluding Auchan)
Key Tenants:	Auchan (co-investor), Names UA, LC Waikiki, Foxtrot, Reserved, JYSK, Planetatoys, Fly Park,Multiplex Cinema

(vii) Lukyanivka (Kyiv)

Gross leasable area (under construction):	47,000 m^2

(viii) Petrivka (Kyiv)

Gross leasable area (to be developed):	31,450 m^2

(ix) Rozumovska (Odesa)

Gross leasable area (to be developed):	38,000 m^2

4. Riviera Villas

- Elite cottage community near Kyiv
- Project consists of two land parcels, one owned by DUPD and the other by its partner
- Unique luxury leisure infrastructure
- Utilities on the site and waterfront infrastructure completed
- Total of 25 land plots are sold (38%)

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	14.3 ha
DUPD share of overall project:	59.6%
Fair value of investment project:	USD 6.83m

5. Green Hills

- Business class cottage community near Kyiv
- 8.2 ha of land sold out of 16.2 ha
- 60 families living in the community
- Construction works on Phase 2 completed
- Construction of a fitness centre and school extension started

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	16.2 ha
DUPD Share:	100%
Fair value of investment project:	USD 6.8m

6. Sadok Vyshnevy

- 38 apartments in a town-house community in Kyiv suburbs
- Utilities on the site
- All homes commissioned, and available for sale
- 18 apartments or 47% of all apartments sold (of which 5% were in 2016)

Details

Location:	Kyiv suburbs
Land Title:	Freehold
Land Area:	1.6 ha
DUPD Share:	100%
Fair value of investment project:	USD 2.3m

7. Avenue Shopping Centre

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

Details

Location:	Kyiv
Land Title:	Leasehold
Land Area:	1.2 ha
GLA:	23.831 m^2
DUPD Share:	18.8%
Fair value of investment project:	USD 1.2m

8. Glangate

- Land plot for shopping centre development in Kremenchuk
- Rivne land plot sold in July 2016 for USD 1.3 million, USD 0.5 million higher than the 31 December 2015 valuation
- Kremenchuk plot is up for sale

Details

Location:	Kremenchuk
Land Title:	Leasehold
Land Area:	3.9 ha
GLA:	26,530 m^2
DUPD Share:	100%
Fair value of investment project:	USD 0.5m

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 licenses 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 licenses 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.

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’ Remuneration Report

Further to the revision of the remuneration policy of the Board members in November 2014, in January 2016 the Board approved a slight modification to the Chairman’s remuneration. In accordance with the modification of the remuneration, as Non-executive Chairman, Mr. Iwashko is entitled to a fee of USD 50,000 instead of a fee of USD 40,000 plus any applicable taxes plus USD 10,000 towards compensating his costs associated with carrying out his duty as the Chairman of the Board.

Mr. Lou van der Heijden’s remuneration remained unchanged and Mr. van der Heijden is entitled to a fee of USD 35,000 plus any applicable taxes plus USD 5,000 as compensation for additional duties for chairing the Audit Committee.

The directors’ fees for 2016 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 plus USD 10,000 towards compensating his costs associated with carrying out his duty as the Chairman of the Board From 1 January 2017 USD 50,000 per year plus applicable VAT payable quarterly in arrears.	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	USD 35,000 plus applicable VAT payable quarterly in arrears plus USD 5,000 to compensate for his duties as the Chairman 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.				

The aggregate amount paid to Directors for the period ending 31 December 2016 was equal to USD 90 thousand including reimbursement of all reasonable business and travel expenses.

There were no other payments besides the ones mentioned above being paid to the Directors for the year ending 31 December 2016.

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

After the appointment of Mr. Iwashko on 26 November 2014 and the resignation of Mr. Macnamara and Mr. Svinhufvud with effect from 30 November 2014, the Board is comprised of three directors: the Chairman, Mark Iwashko, and two other non-executive directors: Aloysius Johannes van der Heijden and Tomas Fiala. Tomas Fiala, one of the Company's Directors, is the principal shareholder and Managing Director of the Dragon Capital Group which holds 24,107,589 ordinary shares in the Company at the date of publication of this annual report (22.04% of the total number of shares). At the reporting date of 31 December 2016, Dragon Capital Group held 19,433,129 or 17.7% of the total number of shares in issue. DCM Limited is the investment manager for the Company and is a part of the 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 to take decisions on the development of projects and to consider general matters affecting the Company and otherwise as required. Issues which do not require discussion by Board members are dealt with by written board resolution.

The Audit Committee is chaired by Mr van der Heijden and comprised of Mr van der Heijden and Mr Mark 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.

Risk Management and Internal Control

Risk management is the responsibility of the Audit Committee, which is responsible to the Board for ensuring that proper 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.

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 2016.

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 at http://www.dragon-upd.com/files/Investing%20Policy%20approved%20by%20the%20EGM%20held%20on%2017%20Feb%202014.pdf

The Company was incorporated in the Isle of Man under the provisions of the Companies Act 1931 to 2004 on the 23 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 Companies Acts 1931 to 2004 and has been re-registered under the provisions of the Companies Act 2006 on 27 February 2014 with a company number 010832V. The Company's registered office is 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU and its principal place of business is Ukraine.

On 1 June 2007 the Company raised USD 208 million through an Initial Public Offering on the AIM market 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 2016 of USD 4,687 thousands (2015: USD 33,968 thousands) all of which has been transferred from reserves.

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
Tomas Fiala
Date of appointment 26 February 2007
Mark Iwashko
Date of appointment: 26 November 2014

Directors' interests

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

	2016		2015	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %

Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director)	**19,433,129**	**17.77**	18,927,822	17.31

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. In the following years through a series of market purchases Dragon Capital Group acquired additional shares and holds in total 19,433,129 ordinary shares as at 31 December 2016.

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

Auditors

The auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

On behalf of the Board

Mark Iwashko
Non-executive Chairman
17 May 2017

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
17 May 2017

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 2016 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, 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 2016 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 afterwards 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 notes 2(d) and 4 to these financial statements, which refer 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.

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
17 May 2017

Statement of financial position as at 31 December

(in thousands of USD)	*Note*	**31 December 2016**	31 December 2015
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	*4*	**40,779**	43,625
Total non-current assets		**40,779**	43,625
Current assets			
Other accounts receivable	*5*	**108**	58
Cash and cash equivalents	*6*	**7,771**	15,912
Total current assets		**7,879**	15,970
Total assets		**48,658**	59,595
Equity and Liabilities			
Equity			
Share capital	*7*	**2,187**	2,187
Share premium		**271,251**	277,265
Accumulated losses		**(225,752)**	(221.065)
Total equity		**47,686**	58,387
Current liabilities			
Other accounts payable	*8*	**972**	1,208
Total current liabilities		**972**	1,208
Total liabilities		**972**	1,208
Total equity and liabilities		**48,658**	59,595

These financial statements were approved by the board of Directors (the Board) on 17 May 2017 and were signed on its behalf by:

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

Statement of comprehensive income for the year ended 31 December

(in thousands of USD)	*Note*	**2016**	2015
Net loss from financial assets at fair value through profit or loss	*10*	**(2,252)**	(31,304)
Management fee	*9*	**(1,700)**	(2,100)
Administrative expenses	*11*	**(492)**	(538)
Other income		**49**	282
Other expenses		**(80)**	(311)
Performance fee	*9*	**(211)**	-
Total operating loss		**(4,686)**	(33,971)
Finance income		**9**	3
Finance costs		**(10)**	-
Loss for the year		**(4,687)**	(33,968)
Net loss and total comprehensive loss for the year		**(4,687)**	(33,968)
Loss per share			
Basic loss per share (in USD)	*13*	**(0.04)**	(0.31)
Diluted loss per share (in USD)	*13*	**(0.04)**	(0.31)

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*	**2016**	2015
Cash flows from operating activities			
Loss for the year		**(4,687)**	(33,968)
Adjustments for:			
Net loss from financial assets at fair value through profit or loss	*10*	**2,252**	31,304
Proceeds from sale of investments	*4*	**-**	569
Finance income		**(10)**	(3)
Finance costs		**-**	-
Interest received		**9**	3
Loans granted		**(207)**	(496)
Loans repaid		**801**	301
Operating cash flows before changes in working capital		**(1,842)**	(2,290)
Change in other accounts receivable		**(50)**	8,380
Change in other accounts payable		**(236)**	(710)
Cash flows (used in)/from operating activities		**(2,128)**	5,380
Cash flows from financing activities			
Dividends paid	*7*	**(6,014)**	(6,014)
Cash flows used in financing activities		**(6,014)**	(6,014)
Net change in cash and cash equivalents		**(8,142)**	(634)
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 31 December		**7,771**	15,912

Statement of changes in equity

(in thousands of USD)	**Share capital**	**Share premium**	**Accumulated losses**	**Total**
Balances at 1 January 2016	**2,187**	**277,265**	**(221,065)**	**58,387**
Total comprehensive loss for the year				
Net loss	**-**	**-**	**(4,687)**	**(4,687)**
Transactions with owners of the Company				
Dividends (note 7)	**-**	**(6,014)**	**-**	**(6,014)**
Total transactions with owners of the Company	**-**	**(6,014)**	**-**	**(6,014)**
Balances at 31 December 2016	**2,187**	**271,251**	**(225,752)**	**47,686**
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				
Dividends (note 7)	-	-	-	-
Total transactions with owners of the Company	-	-	-	-
Balances at 31 December 2015	2,187	277,265	(221,065)	58,387

Notes to the financial statements

1. Background

(a) Organisation and operations

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

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

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

(b) Business environment

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 large part 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 to pre-crisis level.

The economy started to recover in 2016 driven by domestic demand, including revival of private investment. Currency stabilization and prudent monetary and fiscal policy helped to tame average consumer inflation from 49% in 2015 to 14% in 2016. The National Bank of Ukraine adopted an inflation targeting regime and started to gradually relax the above mentioned restrictions, including permission to pay dividends to a certain level and lowering the requirement for converting of foreign currency proceeds. Owing to conservative spending policy and energy sector reform, the broad fiscal deficit (including Naftogas deficit) narrowed from 10% of gross domestic product in 2014 to 2% of gross domestic product in 2015 and remained close to this level in 2016. The banking sector was cleaned from non-viable banks and the country's largest private bank Privatbank was nationalized in December 2016. As at 31 December 2016, 93 banks operated in Ukraine, compared to 180 as at 31 December 2013.

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(i) Determination of functional currency

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

(d) Use of judgments, estimates and assumptions

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

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

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

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

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

Measurement of fair values

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

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

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

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

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

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

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

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

(e) Going concern

These financial statements are prepared on a going concern basis. In the year ended 31 December 2016 the Company incurred a net loss of USD 4,687 thousand (31 December 2015: USD 33,968 thousand) and had negative cash flows from operating activities of USD 2,128 thousand (31 December 2015: positive cash flows from operating activities of USD 5,380 thousand). As at that date the Company's current assets exceeded its current liabilities by USD 6,907 thousand (31 December 2015: USD 14,762 thousand) and its Net Asset Value amounted to USD 47,686 thousand (31 December 2015: USD 58,387 thousand).

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

3. Significant accounting policies

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

(a) Investment entity

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

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

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

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

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

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

(b) Subsidiaries

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

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

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

Name	Country of incorporation	Project	% of ownership	
			2016	2015
Commercial project LLC	Ukraine	**Rivne and Kremenchuk**	**-**	100%
Glangate LTD	Cyprus	**Rivne and Kremenchuk**	**100%**	100%
New Region LLC	Ukraine	**Rivne and Kremenchuk**	**100%**	100%
Rivnobud LLC	Ukraine	**Rivne and Kremenchuk**	**0%**	100%
Blueberg Trading Limited	British Virgin Islands	**Green Hills**	**100%**	100%
Capital Construction LLC	Ukraine	**Green Hills**	**100%**	-
Grand Development LLC	Ukraine	**Green Hills**	**100%**	100%
J Komfort Neruhomist LLC	Ukraine	**Green Hills**	**100%**	100%
Korona Development LLC	Ukraine	**Green Hills**	**100%**	100%
Linkrose LTD	Cyprus	**Green Hills**	**100%**	100%
Landzone LTD	Cyprus	**Avenue Shopping mall**	**100%**	100%
Landshere LTD	Cyprus	**Land Bank**	**90%**	90%
Riverscope LTD	Cyprus	**Land Bank**	**90%**	90%
Z Development LLC	Ukraine	**Land Bank**	**100%**	100%
Z Neruhomist LLC	Ukraine	**Land Bank**	**100%**	100%
Closed investment fund "Development"	Ukraine	**Obolon Residences**	**100%**	100%
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%
EF Nova Oselya LLC	Ukraine	**Riviera Villas**	**100%**	100%
Mountcrest LTD	Cyprus	**Riviera Villas**	**100%**	100%
Riviera Villas LLC	Ukraine	**Riviera Villas**	**100%**	100%
Stenfield Finance Limited	British Virgin Islands	**Riviera Villas**	**100%**	100%
Linkdell LTD	Cyprus	**Sadok Vyshnevy**	**100%**	100%
Komfort Oselya Obolon LLC	Ukraine	**Obolon Residences**	**100%**	-

(c) Associates

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

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

Investments in associates comprise the investment in Hindale Executive Investments Limited (part of investment in the Avenue Shopping Centre project). The investment in Henryland Group Ltd was disposed of during the year ended 31 December 2015 (see note 4(b)).

(d) Loans receivable from investees

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

(e) Foreign currency

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

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

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

(f) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

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

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

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

Other loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Share capital

Ordinary shares

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

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

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

(g) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

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

(h) Provisions

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

(i) Finance income and costs

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

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

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

(j) Dividend income

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

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

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

(l) Fees and administrative expenses

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

(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 12(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) Changes in presentation

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

(q) 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 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.

Disclosure Initiative (Amendments to IAS 7)

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

IFRS 9 Financial Instruments

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

Classification - Financial assets and liabilities

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

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

Impairment – Financial assets and contract assets

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

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

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

Disclosures

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

Transition

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

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

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

Various Improvements to IFRSs

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 not earlier than 1 January 2017. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.

4. Financial assets at fair value through profit or loss

The Company has the following financial assets at fair value through profit or loss as at 31 December:

(in thousands of USD)	**Project**	**31 December 2016**	31 December 2015
Equity investments at fair value through profit or loss			
Subsidiaries			
Landzone Ltd	Avenue Shopping mall	**172**	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	**-**	-
		172	207
Other equity investments			
Arricano Real Estate plc (note 4(a))	Arricano	**3,025**	2,110
		3,197	2,317
Loans receivable at fair value through profit or loss			
Startide Ltd	Obolon Residences	**12,391**	13,215
Riverscope Ltd	Land Bank	**6,934**	7,900
Linkdell Ltd*	Sadok Vishneviy	**7,060**	8,121
Landshere Ltd	Land Bank	**3,698**	4,266
Linkrose Ltd	Green Hills	**4,884**	3,429
Stenfield Finance Limited	Riviera Villas	**1,346**	1,813
Glangate Ltd	Rivne and Kremenchuk	**431**	1,148
Blueberg Trading Limited	Green Hills	**838**	677
Mountcrest Ltd	Riviera Villas	**-**	739
		37,582	41,308
		40,779	43,625

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

(in thousands of USD)	**31 December 2016**	31 December 2015
Riviera Villas	**2,281**	2,904
Sadok Vyshneviy	**2,300**	2,812
Obolon Residences	**1,288**	1,413
Green Hills	**1,113**	766
Rivne and Kremenchuk	**78**	226
	7,060	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.

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.

Fair value as at 31 December 2016

As at the date that these financial statements were authorized for issue, audited financial statements of Arricano as at and for the year ended 31 December 2016 were made publicly available.

Therefore, the Company's management applied valuation method under which Arricano's net assets value as at 31 December 2016 (audited) was multiplied by the Company's share in Arricano's net assets.

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

If Arricano's net assets were 10% lower than that used in the valuation model, the fair value of the investment in Arricano as at 31 December 2016 would be USD 302 thousand lower. If Arricano's net assets were 10% higher than that used in the valuation model, the fair value of the investment in Arricano as at 31 December 2016 would be USD 302 thousand higher.

Fair value as at 31 December 2015

As at the date the Company's financial statements as at and for the year ended 31 December 2015 were authorized for issue, audited financial statements of Arricano have not yet been publicly available.

Therefore, the Company's management applied valuation method under which Arricano's net assets value as at 30 June 2015 (as per Arricano's published unaudited interim financial statements as at and for the six-month periods ended 30 June 2015) 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 2015 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 31 December 2015, the Directors engaged independent appraiser DTZ Kiev B.V.

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 31 December 2015 was 30% lower than that used in the valuation model, the fair value of the investment in Arricano as at 31 December 2015 would be USD 2,827 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 31 December 2015 was 30% higher, then the fair value of the investment in Arricano as at 31 December 2015 would be USD 2,110 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 long-term loans payable due to the Company.
- Trade receivables balance is mainly represented by long-term receivables. Fair value of long-term receivables that carry no interest is measured at present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument, with a similar credit rating.
- Other assets and liabilities are short-term by nature and their fair value approximates the carrying amount. Thus, no additional adjustment is required.

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

(ii) 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 net gain on disposal in amount of USD 32 thousand.

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

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

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

Summary of fair values of respective investment projects as at 31 December 2015 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								
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**
Inventories	19	73	28,006	1,485	-	-	-	**29,583**
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 assets	**6,917**	**5,863**	**30,740**	**2,892**	**1,582**	**12,256**	**1,503**	**61,753**
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**
Trade and other liabilities	1,461	991	13,741	80	97	90	5	**16,465**
Total liabilities	**25,492**	**32,918**	**55,323**	**17,532**	**479**	**218,670**	**12,207**	**362,621**
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**

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

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

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 2016 and 2015 investment properties were 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 31 December 2016 are as follows:

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

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 cottage 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 31 December 2016 and 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.

However, Ukrainian market for land plots zoned for agricultural use is characterised by low liquidity and restrictions related to disposal of such land. Therefore, although management of the Company exercised the generally acceptable valuation approach in such circumstances taking into account all available information, significant uncertainties with regards to low liquidity and legislation restrictions still exist as at 31 December 2016 and 31 December 2015.

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 2016 are as follows:

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

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

- average 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 31 December 2016 and 2015 inventory was represented by the gated community Sadok Vyshnevyi (20 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 2016 are as follows:

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

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 3 years

Other assets and liabilities

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

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

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

Sensitivity of fair value measurement to changes in unobservable inputs – all real estate projects

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 2016 would be USD 3,743 thousand lower (2015: USD 4,183 thousand). If sales prices and rental rates are 5% higher, then the fair value of the real estate projects as at 31 December 2016 would be USD 3,754 thousand higher (2015: USD 4,290 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 2016 would be USD 1,847 thousand lower (2015: USD 2,026 thousand). If development costs are 5% less, then the fair value of the real estate projects as at 31 December 2016 would be USD 1,849 thousand higher (2015: USD 1,922 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 2016 would be USD 824 thousand lower (2015: USD 870 thousand). If the discount rate is 1% less, then the fair value of the real estate projects as at 31 December 2016 would be USD 857 thousand higher (2015: USD 1,006 thousand).

Sensitivity of fair value measurement to changes in unobservable inputs – specific real estate projects

Management has determined that three real estate projects, namely: Riviera Villas, Green Hills and Land Bank are particularly sensitive to unobservable inputs in valuation models and, therefore, are subject to especially significant estimation uncertainty.

Taking into account lack of demand in recent years, which resulted in low volume of sales, there is especially significant uncertainty in assessing the sales period for Riviera Villas and Green Hills projects. Therefore the Company's management performed sensitivity analysis for this assumption: if the sales period is 5 year longer than that used in the valuation model, the fair value of Riviera Villas and Green Hills projects as at 31 December 2016 would be USD 2,886 thousand lower (2015: USD 3,186 thousand).

Taking into account the significant extension of the original timeline of development of Land Bank project, as well as the fact that this project is still at the very early stage of development, there is especially significant uncertainty in assessing the fair value of the underlying land plots. The Company's management performed sensitivity analysis for the sales price assumption: if sales prices are 15% lower than used in the valuation model, the fair value of real estate projects as at 31 December 2016 would be USD 1,794 thousand lower (2015: USD 2,030 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 equity investments due to significant negative net assets of the investees. Thus, there is no impact on the fair value of the Company's equity investments, except for the investment in Avenue Shopping Centre project, the 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 directly affect the fair value of loans receivable (see 4(c)).

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

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

Loans receivable are designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and measured at fair value in accordance with IFRS 13 *Fair value measurement* as the present value of the expected future cash flows, discounted using a market-related rate (see notes 3(a) and 3(d)). Expected future cash flows are represented by cash flows generated from the underlying assets for the loans (the real estate projects). Therefore, sensitivity of the real estate projects fair value (see note 4(b)) to different assumptions also approximates sensitivity of loans receivable fair value to the same assumptions.

5. Other accounts receivable

Other accounts receivable as at 31 December are as follows:

(in thousands of USD)	**31 December 2016**	31 December 2015
Other receivables	**59**	34
Prepayments made	**49**	24
Total other accounts receivable	**108**	58

6. Cash and cash equivalents

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

(in thousands of USD)	**31 December 2016**	31 December 2015
Bank balances	**7,771**	12,912
Call deposits	**-**	3,000
Total cash and cash equivalents	**7,771**	15,912

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 2016**	31 December 2015
Bank balances		
AA-	**3,372**	3,349
A+	**4,399**	-
A	**-**	9,562
	7,771	12,912
Call deposits		
A	**-**	3,000
	-	3,000
Total	**7,771**	15,912

7. Equity

Movements in share capital and share premium are as follows:

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

The share capital of the Company consists of an unlimited number of ordinary shares of £0.01 each. All ordinary shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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

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

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

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

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

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.

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

8. Other accounts payable

Other accounts payable as at 31 December are as follows:

(in thousands of USD)	**31 December 2016**	31 December 2015
Management fees (note 9)	**850**	1,050
Other payables and accrued expenses	**92**	129
Advances received	**30**	29
Total other accounts payable	**972**	1,208

9. Management and performance fees

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

(in thousands of USD)	**2016**	2015
Management fee	**1,700**	2,100
Performance fee	**211**	-
Total management and performance fees	**1,911**	2,100

Unpaid management and performance fees as at 31 December 2016 amounted to USD 850 thousand (2015: USD 1,050 thousand) (note 8).

Initial Management Agreement

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

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

Second Revised Management Agreement

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

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

Third Management Agreement and Fourth Revised Management Agreement

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

On 16 November 2016 the Board announced certain modifications to the existing management arrangement (the Fourth Revised Management agreement). The Fourth Revised Management Agreement became effective on 01 January 2017 and will expire on 31 December 2018.

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

- maximise the disposal proceeds of the Company's properties; and

- achieve the best possible sales value for each property in order to maximise the cash returns to shareholders that would result in the Manager maximising the proposed performance fee payable under the Third and Fourth Management Agreements.

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

Management fee

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

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

If the Company sells the right to the development of the third phase of Obolon Residences, the management fee will be reduced to USD 1.0 million per annum in the year of such sale.

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

Performance fee

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

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

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

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

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

The total management fee for the year ended 31 December 2016 is USD 1,700 thousand (31 December 2015: USD 2,100 thousand). The total performance fee for the year ended 31 December 2016 is USD 211 thousand (2015: is nil).

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

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

	2016	2015
(in thousands of USD)		
Interest income	**16,228**	16,189
Loss from loans receivable at fair value through profit or loss	**(19,360)**	(35,471)
Net loss from loans receivable at fair value through profit or loss	**(3,132)**	(19,282)
Gain/(Loss) on equity investments at fair value through profit or loss	**880**	(12,054)
Gain on disposal of investment in Henryland Group Ltd (note 4 (b) (ii))	**-**	32
Net gain/(loss) on equity investments at fair value through profit or loss	**880**	(12,022)
Net loss from financial assets at fair value through profit or loss	**(2,252)**	(31,304)

11. Administrative expenses

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

	2016	2015
(in thousands of USD)		
Professional services	**227**	247
Audit fees	**92**	92
Directors' fees (note 15(a))	**88**	88
Advertising	**60**	79
Insurance	**18**	19
Bank charges	**5**	7
Travel expenses	**2**	4
Other	-	2
Total administrative expenses	**492**	538

12. Contingencies

(a) Litigation

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

(b) Taxation contingencies

The Company is not subject to any tax charges within Isle of Man jurisdiction, however the Company's investees perform most of their operations in Ukraine and are therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation, which may be applied retrospectively, be open to wide interpretation and in some cases conflict with other legislative requirements. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ukrainian Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are empowered by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

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

(c) Litigation with tax authorities

In 2015 the Company's investee Grand Development LLC (Green Hills project) was involved in litigation with tax authorities with respect to penalties of USD 437 thousand imposed as a result of tax inspection. Respective provision for the full amount of penalties has been recognised in the investee's accounts as at and for the year ended 31 December 2015. During 2016 the Kyiv Administrative Court ruled decision in favour of the company Grand Development LLC. Based on that fact recognized in 2015 provision is reversed as at 31 December 2016.

(d) Insurance

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

(e) Contingent liabilities

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

13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the financial statements is based upon the net loss for the year ended 31 December 2016 attributable to the ordinary shareholders of the Company of USD 4,687 thousand (2015: USD 33,968 thousand) and the weighted average number of ordinary shares outstanding, calculated as follows:

	2016	2015
(number of shares weighted during the period outstanding)		
Shares issued on incorporation on 23 February 2007	**2**	2
Sub-division of GBP 1 shares into GBP 0.01 shares on 16 May 2007	**198**	198
Shares issued on 1 June 2007	**104,000,000**	104,000,000
Shares issued on 29 November 2007	**36,630,100**	36,630,100
Shares issued on 24 April 2008	**1,698,416**	1,698,416
Own shares buyback in 2008	**(8,943,000)**	(8,943,000)
Own shares buyback in 2009	**(15,669,201)**	(15,669,201)
Own shares buyback in 2011	**(8,355,000)**	(8,355,000)
Weighted average number of shares for the year	**109,361,515**	109,361,515

Diluted earnings per share

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

14. Fair values and financial risk management

(a) Accounting classifications and fair values

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

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

(in thousands of USD)	Note	Carrying amount				Fair value			
		Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	*4*	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	*5*	-	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 3 fair values, as well as the significant unobservable inputs used for Level 3 fair values, are disclosed in the following relevant notes:

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

Reconciliation of Level 3 fair values

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

(in thousands of USD)	*Note*	**Financial assets at fair value through profit or loss**
Balance at 1 January 2015		**75,303**
Loss included in profit or loss		
Interest income	*10*	16,189
Loss on investments at fair value through profit or loss	*10*	(12,054)
Loss from loans receivable at fair value through profit or loss	*10*	(35,471)
Cost of disposal of investment in Henryland Group Ltd		(537)
Loans granted		195
Balance at 31 December 2015		**43,625**
Loss included in profit or loss		
Interest income	*10*	16,228
Gain on investments at fair value through profit or loss	*10*	880
Loss from loans receivable at fair value through profit or loss	*10*	(19,360)
Loans repaid		(594)
Balance at 31 December 2016		**40,779**

(c) Financial risk management

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

(i) Risk management policy

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

(ii) Credit risk

Loans receivable

The Company issues loans to its subsidiaries. All these loans are unsecured and are stated at fair value in these financial statements. Recoverability of these loans receivable depends on timely realisation of the real estate projects (see note 4). As at 31 December 2016, USD 24,311 thousand, or 65% of the total loans receivable, are due from four 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.

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

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December is as follows:

(in thousands of USD)	**31 December 2016**	31 December 2015
Loans receivable from investees	**37,582**	41,308
Cash and cash equivalents	**7,771**	15,912
Other accounts receivable	**108**	58
	45,461	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 31 December 2016:

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

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 (see note 4(b)), therefore fair values are not directly impacted by change in interest rates.

Foreign currency risk

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

(d) Capital management

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

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

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

The Company is not subject to externally imposed capital requirements.

15. Related party transactions

(a) Transactions with management and close family members

(i) Directors' remuneration

Directors' compensation included in the statement of comprehensive income for the years ended 31 December is as follows:

(in thousands of USD)	**2016**	2015
Directors' fees	**88**	88
Reimbursement of travel expense	**2**	4
Total management remuneration	**90**	92

(ii) Key management personnel and director transactions

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

	2016		2015	
	Number of shares	**Ownership, %**	Number of shares	Ownership, %
Aloysius Johannes Van der Heijden	-	-	-	-
Dragon Capital Group (with Tomas Fiala as principal shareholder and managing director) *	**19,433,129**	**17.77**	18,927,822	17.31
	19,433,129	**17.77**	18,927,822	17.31

* Dragon Capital Group holds its shares in the Company through nominal shareholder, Vidacos Nominees Limited as at 31 December 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.

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

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

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

(b) Transactions with subsidiaries

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

(in thousands of USD)	**2016**	2015
Loans receivable	**37,582**	41,308
Other accounts receivable	**281**	281
Allowance for impairment of other accounts receivable	**(281)**	(281)
	37,582	41,308

Profit or loss transactions with subsidiaries during the years ended 31 December are as follows:

(in thousands of USD)	**2016**	2015
Interest income	**16,228**	16,189
Loss from loans receivable at fair value through profit or loss	**(19,360)**	(35,471)
	(3,132)	(19,282)

(c) Other related parties transactions

Other related parties are represented by the Company's Manager, DCM Limited (see note 9) and DTZ Kiev B.V.

Outstanding balances with DCM Limited as at 31 December are as follows:

(in thousands of USD)	**2016**	2015
Management fee	**850**	1,050
Performance fee	**-**	-
	850	1,050

Expenses incurred in transactions with DCM Limited as at 31 December are as follows:

(in thousands of USD)	**2016**	2015
Management fee	**1,700**	2,100
Performance fee	**211**	-
	1,911	2,100

One of the Company's non-executive directors is also a Chairman of DTZ Kiev B.V., the independent appraiser engaged by the Directors to assist with the estimation of fair value of the real estate projects.

Outstanding balances with DTZ Kiev B.V as at 31 December are as follows:

(in thousands of USD)	**2016**	2015
Appraisal services	**-**	3
	-	3

Fees for services for the year ended 31 December are as follows:

(in thousands of USD)		
Appraisal services	**23**	27
	23	27

16. Events subsequent to the reporting date

On 23 February 2017 the Company received notification from Dragon Capital (which together with the Company's Investment Manager DCM Limited is a part of Dragon Capital Group) that on 21 February 2017 Dragon Capital purchased 4,674,460 ordinary shares at a price of USD 0.13 per ordinary share. Following this share purchase, Dragon Capital Group holds 24,107,589 shares representing 22.04% of the issued share capital of the Company.