

**New Ukraine PE Holding
Limited**

Report and consolidated
financial statements for the year
ended
31 December 2020

These financial statements contain 44 pages

Contents

Officers and Professional Advisors	1
Management report	2-3
Independent auditors report	4-6
Consolidated statement of financial position	7
Consolidated statement of profit and loss and other comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11-44

Officers and Professional Advisors

Board of Directors

Olga Turyk

Secretary

Ledra Secretaries Limited

Independent Auditors

KPMG Limited

Registered Office

16 June 1943
9 AREA A, Flat 202
3022 Limassol
Cyprus

MANAGEMENT REPORT

The Board of Directors of New Ukraine PE Holdings Limited (the "Company") presents to the members its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2020.

INCORPORATION

New Ukraine PE Holdings Limited (the "Company") was incorporated in Cyprus on 26 July 2016 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS OF THE GROUP

The principal activity of the Group, which is unchanged from last year, is the investing in the real estate sector in Ukraine.

FINANCIAL RESULTS

The Group's financial results for the year ended 31 December 2020 are set out on page 8 to the consolidated financial statements. The net loss for the year attributable to the owners of the Group amounted to USD 4,182 thousand (2019: profit of USD 30,309 thousand).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The current financial position as presented in the consolidated financial statements is not considered satisfactory and the Board of Directors is making an effort to reduce the losses.

DIVIDENDS

During 2020 dividends in amount of USD 45,000 thousand were declared and paid by the Company.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in Note 14(c) to the consolidated financial statements.

USE OF FINANCIAL INSTRUMENTS BY THE GROUP

The Group is exposed to market price risk, interest rate risk, credit risk and liquidity risk from the financial instruments it holds.

The Group's financial risk management objectives and policies are stated in Note 14(c).

MANAGEMENT REPORT *(continued)*

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

BRANCHES

During the year ended 31 December 2020 the Company did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2020.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the member of the Board of Directors.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in Note 16 to the consolidated financial statements.

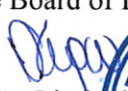
RELATED PARTY TRANSACTIONS

Disclosed in Note 15 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors


Ledra Secretaries Limited
Secretary

Nicosia, 24 May 2021



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEW UKRAINE PE HOLDING LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of New Ukraine PE Holding Limited (the "Company") and its subsidiaries (the "Group"), which are presented on pages 7 to 44 and comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the management report, our report in this regard is presented in the "Report on other legal requirements" section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Costas Kalias, FCA, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

24 May 2021

	Note	31 December 2020	31 December 2019
<i>(in thousands of USD)</i>			
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	7	164,502	180,281
Receivables from derivatives	10	1,696	-
Property, plant and equipment		1	-
Total non-current assets		166,199	180,281
Current assets			
Cash and cash equivalents	8	5,981	5,057
Trade and other receivables		7	81
Refundable tax		86	86
Total current assets		6,074	5,224
Total assets		172,273	185,505
Equity and Liabilities			
Equity			
Share capital		69	69
Share premium		64,449	64,449
Retained earnings		37,135	86,317
Total equity		101,653	150,835
Non-current liabilities			
Loans and borrowings	11	34,010	24,500
Issued bonds	9	31,697	-
Total non-current liabilities		65,707	24,500
Current liabilities			
Loans and borrowings	11	4,375	10,005
Issued bonds	9	359	-
Trade and other payables		179	165
Total current liabilities		4,913	10,170
Total liabilities		70,620	34,670
Total equity and liabilities		172,273	185,505

On 24 May 2021 the Director of New Ukraine PE Holdings Limited approved and authorised these consolidated financial statements for issue.


 Olha Turyk

The notes on pages 11 to 44 are an integral part of these consolidated financial statements.

New Ukraine PE Holding Limited
Consolidated statement of comprehensive income as at 31 December 2020

	<i>Note</i>	2020	2019
<i>(in thousands of USD)</i>			
Net gain from financial assets at fair value through profit or loss	12	85	34,278
Administrative expenses		(435)	(117)
Other operating income/(expenses)		(11)	-
Total operating (loss)/profit		(361)	34,161
Fair value change on derivatives	10	1,696	-
Finance costs	6	(5,279)	(3,806)
(Loss)/ Profit for the year		(3,944)	30,355
Tax expense	5	(238)	(46)
Total comprehensive (loss)/income for the year		(4,182)	30,309

The notes on pages 11 to 44 are an integral part of these consolidated financial statements.

New Ukraine PE Holding Limited
Consolidated statement of changes in equity for the year ended 31 December 2020

	<i>Note</i>	Share capital	Share premium	Retained earnings	Total equity
<i>(in thousands of USD)</i>					
Balances at 31 December 2018		<u>69</u>	<u>64,449</u>	<u>56,008</u>	<u>120,526</u>
Total comprehensive income for the year					
Net profit		<u>-</u>	<u>-</u>	<u>30,309</u>	<u>30,309</u>
Balances at 31 December 2019		<u>69</u>	<u>64,449</u>	<u>86,317</u>	<u>150,835</u>
Dividend distribution	<i>11(b)</i>	-	-	(45,000)	(45,000)
Total comprehensive loss for the year					
Net loss		<u>-</u>	<u>-</u>	<u>(4,182)</u>	<u>(4,182)</u>
Balances at 31 December 2020		<u>69</u>	<u>64,449</u>	<u>37,135</u>	<u>101,653</u>

The notes on pages 11 to 44 are an integral part of these consolidated financial statements.

New Ukraine PE Holding Limited
Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020	2019
<i>(in thousands of USD)</i>			
Cash flows from operating activities			
(Loss)/Profit for the year		(4,182)	30,309
Adjustments for:			
Net gain from financial assets at fair value through profit or loss	12	(85)	(34,278)
Fair value change on derivatives	10	(1,696)	-
Finance costs		5,616	3,806
Acquisition proceeds paid to Cyprus companies for the purchase of share capital of Ukrainian companies	14(b)	(143,159)	-
Loans obtained from Cyprus companies (later set-off with dividends received)	14(b)	143,211	-
Dividends received	14(b)	-	3,140
Loans principal received	14(b)	11,084	7,969
Interest received	14(b)	5,178	6,991
Increase of share capital of investee	14(b)	(450)	(194)
Tax expense	5	238	46
		<u>15,755</u>	<u>17,789</u>
Decrease/(increase) in trade and other receivables		71	(24)
Increase in trade and other payables		15	145
Cash from operating activities		<u>15,841</u>	<u>17,910</u>
Tax paid		<u>(238)</u>	<u>(46)</u>
Net cash from operating activities		<u>15,603</u>	<u>17,864</u>
Cash flows from financing activities			
Proceeds from bond's issue	9	29,102	-
Proceeds from loans and borrowings obtained	11	40,000	-
Interest paid on loan to related party		(54)	-
Loans and borrowings repaid	11	(35,600)	(10,000)
Finance costs paid	11	(3,127)	(3,797)
Dividends paid		<u>(45,000)</u>	<u>(2,500)</u>
Net cash flows used in financing activities		<u>(14,679)</u>	<u>(16,297)</u>
Net increase in cash and cash equivalents		924	1,567
Cash and cash equivalents at the beginning of the year	8	<u>5,057</u>	<u>3,490</u>
Cash and cash equivalents at the end of the year	8	<u><u>5,981</u></u>	<u><u>5,057</u></u>

The notes on pages 11 to 44 are an integral part of these consolidated financial statements.

1. Incorporation, organisation and operations

New Ukraine PE Holding Limited (the “Company” or the “Parent”) was incorporated in Cyprus on 26 July 2016. The Company’s registered office is at 9 AREA A, Flat 202, 3022 Limassol, Cyprus and its principal place of business is Ukraine.

As at 31 December 2019 the shareholders of New Ukraine PE Holding Limited (Cyprus) were Dragon Capital Investments Limited (Cyprus) with 17% ownership, the company ultimately controlled by Tomas Fiala, Dragon Capital New Ukraine Fund (Jersey) with 36% ownership, Ukrainian Redevelopment Fund LP (a Delaware limited partnership, not related to other shareholders) with 15% ownership, and Sky Mundi S.À.R.L. (a shareholder not related to other shareholders) with 32% ownership.

As at 31 December 2020 there was a change in the shareholders structure of the Group. The shareholders of New Ukraine PE Holding Limited (Cyprus) as at 31 December 2020 were Dragon Capital Investments Limited (Cyprus) with 21.96% ownership, the company ultimately controlled by Tomas Fiala, Dragon Capital New Ukraine Fund (Jersey) with 35.85% ownership and Sky Mundi S.À.R.L. (a shareholder not related to other shareholders) with 42.19% ownership.

Dragon Capital New Ukraine Fund (Jersey) is a Jersey limited partnership formed under the partnership agreement and as at 31 December 2020 and 31 December 2019 has the following partnership structure: Ukrainian Redevelopment Fund LP – 43%, Dragon Capital Investments Limited (Cyprus) – 42%, Suhail Salim Abdullah Al Mukhaini Bahwan – 14% and DC Partners (Jersey) Limited (which is 100% owned by Dragon Capital Investments Limited (Cyprus)) – 1%.

In accordance with the shareholders’ agreement of New Ukraine PE Holding Limited, key strategic decisions are made by the shareholders together holding more than 90% of shares in the Parent’s issued share capital.

The main activities of the Parent are investing in real estate sector in Ukraine.

As at 31 December 2020, the Parent’s investments are represented by the following projects:

- Pyramida project: shopping center with the gross leasing area equal to 12,630 sq. m.;
- East Gate Logistik project: A-class warehouse with the gross leasing area equal to 49,027 sq. m.;
- West Gate Logistik project: A-class warehouse with the gross leasing area equal to 96,221 sq. m. and associated land plot of 15 ha. (Note 4(b));
- Property Management Solutions One (“PMS One”): A-class business center “Eurasia” with the gross leasing area of 27,855 sq. m.;
- Property Management Solutions Two (“PMS Two”): A-class business center “Prime” with the gross leasing area of 8,853 sq. m. and associated land plot of 0,15 ha.

As at 31 December 2019, the Parent’s investments are represented by the following projects:

- Pyramida project: shopping center with the gross leasing area equal to 12,817 sq. m.;
- East Gate Logistik project: A-class warehouse with the gross leasing area equal to 49,198 sq. m.;
- West Gate Logistik project: A-class warehouse with the gross leasing area equal to 96,221 sq. m. and associated land plot of 15 ha.;
- Property Management Solutions One (“PMS One”): A-class business center “Eurasia” with the gross leasing area of 27,996 sq. m.;
- Property Management Solutions Two (“PMS Two”): A-class business center “Prime” with the gross leasing area of 8,853 sq. m. and associated land plot of 0,15 ha.

For description of the legal structure underlying these projects see Note 4(b).

The Parent provides financing to its investees either through equity or debt instruments.

NUPEH CZ s. r. o. (the “Subsidiary”) is incorporated under the legislation of the Czech Republic upon registration in the Commercial Register on 1 January 2019 under file number C 307124, held at the Municipal Court in Prague. The Subsidiary’s registered office is located at Antala Staška 1859/34, Krč, 140 00 Prague 4, Czech Republic.

The sole shareholder of the Subsidiary is the Company with 100% ownership.

The Subsidiary’s principal activity is financing activities. The net proceeds of the bonds issue were used for the purpose of intra-group loan provided by the Subsidiary to its Parent.

These consolidated financial statements for the year ended 31 December 2020 include the financial statements of Parent and its Subsidiary (hereinafter the “Group”).

2. Operating environment of the Group

(a) Implications of COVID-19

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

Industries such as tourism, hospitality and entertainment have been directly disrupted significantly by these measures. Other industries such as manufacturing and financial services have also been indirectly affected.

In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational disruption for the Group.

In parallel, governments, including the Republic of Cyprus, introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Company has not applied for such government assistance. The details of all the arrangements that might be available to the Company and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. The Company is continuing to assess the implications for its business when these arrangements are no longer available and has reflected their impact in its stress scenarios for going concern purposes.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

Management will continue to monitor the situation closely and will assess any needs in case the period of disruption becomes prolonged.

(b) Ukrainian business environment

The Group's operations are primarily located in Ukraine. Consequently, the Group is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market. The political and economic situation in Ukraine has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Ukraine.

Ukraine met the global crisis fueled by the by COVID-19 pandemic with strong economic fundamentals. Its key strengths included moderate C/A and fiscal deficits, a high share of crisis-resilient soft commodities in exports (40% of total), and a stable and well-capitalized banking system. Ukrainian authorities reacted to the spread of COVID-19 pre-emptively, introducing a nationwide lockdown, increasing the budget deficit target by 5.4pp to 7.5% of GDP, loosening monetary policy, and approaching the IMF, the EU and the World Bank for financial support. The IMF Board approved a \$5.0bn 18-month Stand-by Arrangement (SBA) for Ukraine on June 9. This was accompanied by EUR 1.2bn support from the EU and up to \$1.0bn from the World Bank.

The Ukrainian economy shrank by an estimated 4.0% in 2020 following four consecutive years of growth averaging 2.9% y-o-y. The decline was caused by quarantine measures, particularly the strict national lockdown from mid-March to mid-May, a shrink in global trade volumes, and a weaker grain harvest, which fell to an est. 65 Mt (-14% y-o-y) due to unfavorable weather. At the same time, the economy was supported by increased government spending on social programs and roads and by households redirecting their spending towards consumption of domestic goods and services following foreign travel restrictions. Reflecting strength in domestic consumption, retail trade turnover rose by 8.4% y-o-y in 2020. Construction rose by 5.6% y-o-y, supported by government spending. However, industrial output declined by 5.2% y-o-y on weakness in the machinery and metallurgical sectors, while agricultural production shrank by 11.5% y-o-y due to the aforementioned adverse weather impact.

The current account balance improved sharply in 2020, to a surplus of 4.4% of GDP, after running a deficit of 2.7% of GDP in 2019, as the trade deficit narrowed by 7.0pp y-o-y to 1.1% of GDP, a 15-year low. Imports of goods and services declined by 18% y-o-y to \$62bn, thanks to a drop in travel, lower domestic demand for imported goods, and a decline in global energy prices. Exports dropped only moderately, down 4.6% y-o-y to \$61bn, supported by a high share of crisis resilient soft-commodities, particularly grain and vegetable oil. Inflows of remittances were virtually flat y-o-y at \$12bn or 8.0% of 2020E GDP, supporting Ukraine's external position and domestic consumption.

The improvement on the current account was accompanied by moderate capital outflows. The capital and financial account (including IMF financing) ran a 2.1% of GDP deficit in 2020 after registering a surplus of 5.5% of GDP in 2019. The deterioration was caused by capital outflows from the private sector, which was partially offset by government external borrowings, including from the IMF, other international financial institutions and international markets. The government received a \$2.1bn tranche from the IMF, \$1.5bn in loans from the EU and the World Bank, and raised \$3.2bn by selling sovereign Eurobonds. As a result, central bank reserves remained on an upward trend last year, rising by 15% y-o-y to \$29bn, the highest level since 2011 and equivalent to 5.6 months of current goods and services

imports.

The hryvnia weakened by 16.2% y-o-y against the U.S. dollar last year, to UAH 28.3/USD, as the accelerating spread of COVID-19 caused panic buying of foreign currency in February-March 2020. But the surge in demand for foreign currency was short-lived, and the hryvnia ranged from UAH 26.5-28.6/USD throughout April-December. The NBU bought \$1.0bn from the F/X market last year.

The general government deficit stood at an est. 5.9% of GDP last year (\$8.7bn). This was wider than the previous years' gaps of 2.1-2.4% of GDP but below the target of 7.5% as revenues outperformed and selected spending items were underfinanced. The public-debt-to-GDP ratio surged to 63% in 2020 from 50% in 2019.

Additionally, an armed conflict in certain parts of the Lugansk and Donetsk regions, which started in spring 2014, has not been resolved, though military hostilities there have been subdued since 2015. Still, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Consequently, operations in selected eastern regions of the country involve risks that do not typically exist in other markets. Also, various events in March 2014 led to the annexation of the Republic of Crimea by the Russian Federation, which was not recognized by Ukraine as well as an overwhelming majority of other countries globally.

The Ukrainian central and local governments, as part of their efforts to combat the COVID-19 pandemic, temporary restricted customers access to Ukrainian retail shopping centres from 16 March 2020 until 30 May 2020. This decision has resulted in the temporary closure of the Group's shopping and entertainment centre. However, the hypermarkets, pharmacies and some other stores located within the centre continued to operate. As a result, the revenue of Piramida shopping mall for 2020 decreased by 22% in Ukrainian hryvnia comparing to 2019. At the same time the Group's management took relevant measures to cut the costs and maintained positive operating cash flows.

Subsequent to the reporting date, lockdown was introduced by the government in Ukraine for 2.5 weeks in January 2021 and then another lockdown was introduced in Kyiv from 20 March 2021 till 30 April 2021. As a result of the latest lockdown, apart from hypermarkets, pharmacies and some other essential stores, outlets in the Piramida shopping centre were closed during this period.

And again, Piramida shopping centre cash inflows from its tenants in the beginning of 2021 did not reach the expected contractual cash flows. However, based on updated forecasts, the management expects to maintain positive operating cash flows in 2021. Net operating result for the first quarter 2021 was not affected and the Company demonstrated financial results from operating activity as expected.

At the same time, the measures applied by the Ukrainian central and local governments did not have any significant negative impact on the financial results of the Group's two logistic centres and two business centres.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances related to COVID-19 pandemic, a continuation of the current unstable business environment would negatively affect the Group's results and financial position in a manner not currently determinable. The financial statements reflect management's assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

(b) Basis of measurement

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

Items	Measurement
Financial assets at fair value through profit or loss (including equity investments and loans receivable)	Fair value
Derivatives	Fair value

(c) Adoption of new and revised International Financial Reporting standards and Interpretations as adopted by the European Union (EU)

The following Standards, Amendments to Standards and Interpretations have been issued by International Accounting Standards Board (“IASB”) but are not yet effective for annual periods ended on 31 December 2020. Those which may be relevant to the Group are set below. The Group does not plan to adopt these Standards early.

Standards and Interpretations adopted by the EU effective for annual periods beginning on or after 1 January 2020

- Amendment to *IFRS 16 Leases Covid 19- Related Rent Concessions*;
- Amendments to *IFRS 4 Insurance Contracts* – deferral of IFRS19.

Standards and Interpretations not adopted by the EU

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current* - Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 3 *Business Combinations* (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* (effective for annual periods beginning on or after 1 January 2021);
- IFRS 17 *Insurance Contracts*, including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);

The Group’s management expects that the adoption of these standards or interpretations in future periods will not have a material effect on the consolidated financial statements of the Group.

(d) Functional and presentation currency

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

(e) 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, financing

and transactions are denominated in US dollars. The expenses are denominated and paid in US dollars. Accordingly, management has determined that the functional currency of the Company is US dollar.

Additionally, based on the determination of the Group's management the Subsidiary does not carry out its own activities and act as limited-purpose vehicle. Activities of the Subsidiary are carried out as an extension of the Parent company, rather than being carried out with a significant degree of autonomy. Based on above the functional currency of the Subsidiary is USD and does not differ from the Parent.

(f) Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management 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 recognized in the period in which the estimates are revised and in any future periods affected.

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 recognized in these consolidated financial statements and could lead to significant adjustment in the next financial year are included in the following notes:

- Note 4(a) – Determination of investment entity criteria.
- Note 7 – Financial assets at fair value through profit or loss.

Measurement of fair values

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

Management is 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 Group's financial statements. To assist with the estimation of fair values management, when appropriate, engage registered independent appraiser, having a recognized 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 Group 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 follow:

- *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 Group 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 7 – Financial assets at fair value through profit or loss.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated 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 from its shareholders only for the purpose of making investments in the real estate sector of Ukraine.
- The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.
- The Directors of the Company make only strategic decisions and approve overall direction of investing activity in order to maximise the returns to shareholders. There is no separate substantial business activity beyond earning returns from capital appreciation and investment income.
- 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). The strategy at the commencement of investment is to increase capitalisation of the real estate projects at exit in 5-7 years.

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 – investees in real estate assets in Ukraine. The Company measures its investments in Ukrainian subsidiaries-investees at fair value through profit or loss (Note 4(b)). Such approach provides a fair and transparent view on the Company to the Company's shareholders and stakeholders.

Though the loans from investees are nominal loans (the Company at its capacity of the shareholder may amend any terms of the loans including modification to convert loans in full or in part into equity), the Company elected to measure loans receivable from its investees at fair value through profit or loss (Note 4(c)). All these assets are presented within financial assets at fair value through profit or loss in the Company's statement of financial position.

At the same time, financial data of NUPEH CZ s. r. o. are included in these financial statements on a consolidation basis because the main purpose and activities of the Subsidiary are providing financial services that relate to the investment entity's investment activities and the Subsidiary does not itself qualify as an investment entity.

(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. The investees Atlantic-Pacific Ventures LLC, East Gate Logistik LLC, West Gate Logistik LLC, Property Management Solutions One LLC and Property Management Solutions Two LLC own real estate assets and are entitled to receive associated rental revenues. Other investees receive that cash flow stream in the form of loan receivables or dividends. Investments in subsidiaries are measured and accounted for at fair value with gains or losses recognized in profit or loss. As described in Note 4(a) above, financial data of NUPEH CZ s. r. o. was

included in these financial statements on a consolidation basis.

As at 31 December 2019 subsidiaries and their grouping by investment in respective projects are as follow:

Name	Parent	Country of incorporation	Project	% of ownership as at 31 December 2019
1849-Apollo Overseas I Limited	New Ukraine PE Holding Limited	Cyprus	Pyramida	100.00%
Atlantic-Pacific Ventures LLC	1849-Apollo Overseas I Limited	Ukraine	Pyramida	100.00%
Turcosa Investments Limited	New Ukraine PE Holding Limited	Cyprus	East Gate	100.00%
AICEE II Finance Cyprus Limited	New Ukraine PE Holding Limited	Cyprus	East Gate	100.00%
EGL Holding Limited	Turcosa Investments Limited	Cyprus	East Gate	100.00%
East Gate Logistik LLC	AICEE II Finance Cyprus Limited	Ukraine	East Gate	100.00%
GLD Logistik Park Holding Limited	New Ukraine PE Holding Limited	Cyprus	West Gate	100.00%
SZ Harbour Finance Limited	New Ukraine PE Holding Limited	Cyprus	West Gate	100.00%
West Gate Logistik LLC	GLD Logistik Park Holding Limited	Ukraine	West Gate	100.00%
Property Management Services LLC	Mevalor Enterprises Limited	Ukraine	PMS	100.00%
Mevalor Enterprises Limited	New Ukraine PE Holding Limited	Cyprus	PMS	100.00%
Property Management Solutions One LLC	Orbelsons Holding Limited	Ukraine	PMS One	100.00%
Orbelson Holdings Limited	New Ukraine PE Holding Limited	Cyprus	PMS One	100.00%
Property Management Solutions Two LLC	Glanston Holdings Limited	Ukraine	PMS Two	100.00%
Glanston Holdings Limited	New Ukraine PE Holding Limited	Cyprus	PMS Two	100.00%
NUPEH CZ	New Ukraine PE Holding Limited	Czech Republic	-	100.00%

During the year ended 31 December 2020 100% corporate rights in the Ukrainian limited liability companies were transferred from the Cyprus subholdings to New Ukraine PE Holding Limited (Cyprus) for the consideration of USD 143,159 thousand. Furtheron, the Cyprus subholdings provided the loans to New Ukraine PE Holding Limited amounting to USD 143,211 thousand which were later set-off with dividends payable from the Cyprus subholdings of USD 140,360 thousand (see also Note 14 (b)). Also, during 2020 the agreements on assignment of rights and transfer of obligations for loan assignments granted were signed between some of the Cyprus subholdings and New Ukraine PE Holding Limited. According to these agreements, New Ukraine PE Holding Limited has become the new lender for the Ukrainian limited liability companies. All other conditions of initial credit agreement remain unchanged.

The Group's management plans to liquidate its Cyprus subholdings in the nearest future.

During 2020 the following transactions took place with investees:

- new shares were issued by GLD Logistik Park Holding Limited that resulted in increase of share capital by USD 2 thousand and increase of share premium by USD 148 thousand;
- new shares were issued by Orbelson Holdings Limited that resulted in increase of share capital by USD 1 thousand and increase of share premium by USD 149 thousand;
- new shares were issued by Glanston Holdings Limited that resulted in increase of share capital by USD 1 thousand and increase of share premium by USD 149 thousand;
- 100% shares of 1849-Atlantic-Pacific Ventures LLC were sold by Apollo Overseas I Limited to

the Parent for USD 50,189 thousand;

- 100% shares of West Gate Logistik LLC were sold by GLD Logistik Park Holding Limited to the Parent for USD 23,900 thousand. Additionally, share capital of West Gate Logistik LLC was increased by USD 140 thousand.
- 100% shares of East Gate Logistik LLC were sold by AICEE II Finance Cyprus Limited to the Parent for USD 18,800 thousand. Additionally, share capital of East Gate Logistik LLC was increased by USD 140 thousand.
- 100% shares of Property Management Solutions One LLC were sold by Orbelson Holdings Limited and Glanston Holdings Limited to the Parent for USD 40,500 thousand. Additionally, share capital of Property Management Solutions One LLC was increased by USD 140 thousand.
- 100% shares of Property Management Solutions Two LLC were sold by Orbelson Holdings Limited and Glanston Holdings Limited to the Parent for USD 8,900 thousand. Additionally, share capital of Property Management Solutions Two LLC was increased by USD 140 thousand.
- 100% shares of Property Management Services LLC were sold by Mevalor Enterprises Limited and Glanston Holdings Limited to the Parent for USD 4 thousand.

As at 31 December 2020 subsidiaries and their grouping by investment in respective projects are as follows:

Name	Parent	Country of incorporation	Project	% of ownership as at 31 December 2020
1849-Apollo Overseas I Limited	New Ukraine PE Holding Limited	Cyprus	Pyramida	100.00%
Atlantic-Pacific Ventures LLC	New Ukraine PE Holding Limited	Ukraine	Pyramida	100.00%
Turcosa Investments Limited	New Ukraine PE Holding Limited	Cyprus	East Gate	100.00%
AICEE II Finance Cyprus Limited	New Ukraine PE Holding Limited	Cyprus	East Gate	100.00%
EGL Holding Limited	New Ukraine PE Holding Limited	Cyprus	East Gate	100.00%
East Gate Logistik LLC	New Ukraine PE Holding Limited	Ukraine	East Gate	100.00%
GLD Logistik Park Holding Limited	New Ukraine PE Holding Limited	Cyprus	West Gate	100.00%
SZ Harbour Finance Limited	New Ukraine PE Holding Limited	Cyprus	West Gate	100.00%
West Gate Logistik LLC	New Ukraine PE Holding Limited	Ukraine	West Gate	100.00%
Property Management Services LLC	New Ukraine PE Holding Limited	Ukraine	PMS	100.00%
Mevalor Enterprises Limited	New Ukraine PE Holding Limited	Cyprus	PMS	100.00%
Property Management Solutions One LLC	New Ukraine PE Holding Limited	Ukraine	PMS One	100.00%
Orbelson Holdings Limited	New Ukraine PE Holding Limited	Cyprus	PMS One	100.00%
Property Management Solutions Two LLC	New Ukraine PE Holding Limited	Ukraine	PMS Two	100.00%
Glanston Holdings Limited	New Ukraine PE Holding Limited	Cyprus	PMS Two	100.00%
NUPEH CZ	New Ukraine PE Holding Limited	Czech Republic	-	100.00%

(c) Loans receivable from investees

In addition to equity financing to its investees, as a part of structuring its investments the Group has number of intragroup loans. As described in Note 4(a), the Group elected to measure loans receivable from its investees at fair value through profit or loss.

The loans are denominated in USD, unsecured, interest bearing (range from 6.5% to 9%) with variable terms of repayment and represent an alternative to the equity way of financing investments. The Group at its capacity of the shareholder may amend any terms of the loans including modification to convert loans in full or in part into equity.

Loans receivable are accounted at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* 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. Expected future cash flows are represented by cash flows generated from the underlying assets for the loans (the real estate projects).

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

(e) Financial instruments

(i) Recognition, initial measurement and derecognition

Trade receivables are initially recognized when they are originated.

All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(ii) Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its

business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL to eliminate or significantly reduce an accounting mismatch:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL to eliminate or significantly reduce an accounting mismatch:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

The Group's financial assets comprise trade and other receivables, cash and cash equivalents and short-term deposits and are classified into the financial assets at amortised cost category. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that were subject to insignificant risk of changes in their fair value.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of held-for-trading or it is designated as such on initial recognition.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group measures all of its financial liabilities at amortized cost.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

(f) Share capital

Ordinary shares

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

Share premium

Share premium reserves include amounts that were created due to the issue of share capital at a value price greater than the nominal.

(g) Impairment

The Group uses “expected credit loss” (ECL) model. This impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade and other receivables and cash and cash equivalents.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and receivables on internal settlements at an amount equal to lifetime ECLs.

Impairment on cash and cash equivalents is measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

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

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

Measurement of ECLs

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

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a debt or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether cash and cash equivalents are credit-impaired, the Group considers the following factors:

- significant financial difficulty of the bank;
- a breach of contract such as a default or a contractual payment being more than a couple of days past due;
- it is becoming probable that the bank will enter bankruptcy or other financial reorganisation.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses on financial assets are presented under “other operating expenses” and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

(h) Provisions

A provision is recognized if, as a result of a past event, the Group 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 recognized as finance cost.

(i) Finance income and costs

Finance income comprises interest income on financial assets, calculated using the effective interest rate, and currency exchange gains. Finance costs comprise interest expense and currency exchange losses.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating the effective interest rate, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income is made on a net basis again.

Amortised cost and gross carrying amount

The “amortised cost” of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The “gross carrying amount of a financial asset” measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Interest received or receivable, and interest paid or payable, are recognized 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 recognized 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 recognized 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 recognized in profit or loss in separate line item.

(k) Fees and administrative expenses

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

(l) 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, foreign exchange differences and dividend income.

(m) Tax

Tax liabilities and assets for the current and prior years are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous years.

5. Taxation

	2020	2019
<i>(in thousands of USD)</i>		
Corporation tax	-	-
Corporation tax- prior year	-	-
Overseas tax	<u>238</u>	<u>46</u>
	<u><u>238</u></u>	<u><u>46</u></u>

Reconciliation of tax based on the taxable income and tax based on accounting profits is as follows:

	2020	2019
<i>(in thousands of USD)</i>		
Accounting (loss)/profit before tax	<u>(3,944)</u>	<u>30,355</u>
Tax calculated at the applicable tax rates	(420)	3,794
Tax effect of expenses not deductible for tax purposes	24,101	301
Prior year tax	-	
Tax effect of allowances and income not subject to tax	(23,613)	(4,123)
Tax effect of tax loss for the year	(67)	74
Tax effect of tax group relief Overseas tax	<u>237</u>	<u>-</u>
Tax as per statement of comprehensive income	<u><u>238</u></u>	<u><u>46</u></u>

The corporation tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

6. Finance expenses

<i>(in thousands of USD)</i>	2020	2019
Interest expense on loans	2,607	3,806
Net foreign exchange loss	2,258	-
Interest expenses on bonds	359	-
Other finance costs	55	-
	5,279	3,806

Foreign exchange loss was generated at the Subsidiary level as bonds were issued in CZK and the functional currency of the Subsidiary as at and for the year ended 31 December 2020 is US Dollars.

During the year ended 31 December 2020 realized foreign exchange gain in amount of USD 417 thousand was actually received by the Subsidiary as a result from derivative operations.

7. Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss relate to the following projects:

<i>(in thousands of USD)</i>	2020	2019
Pyramida	46,952	47,633
West Gate	36,721	41,698
East Gate	18,864	22,249
PMS One	46,926	52,049
PMS Two	15,039	16,652
	164,502	180,281

In addition to equity financing of its investees, as a part of structuring its investments, the Group also has a number of intragroup loans. The Group's management treats these intragroup loans as quasi-equity instruments because the Group, in its capacity of the shareholder, can amend the conditions of these loans at any time and can impose these amended conditions on its investees, including the amendment to convert any loan in full or in part into equity.

The Group's financial assets at fair value through profit or loss as at 31 December 2020 relating to Pyramida project consist of equity investment in Atlantic Pacific Ventures LLC amounting to USD 46,947 thousand (2019: equity investment amounting to USD 47,628 thousand through 1949-Apollo Overseas I LTD) and loans receivable amounting to USD 5 thousand (2019: USD 5 thousand).

The Group's financial assets at fair value through profit or loss as at 31 December 2020 relating to West Gate project consist of loans receivable from West Gate Logistik LLC amounting to USD 36,721 thousand (2019: consisted of loan receivable from SZ Harbour Finance Limited amounting to USD 41,698 thousand).

The Group's financial assets at fair value through profit or loss as at 31 December 2020 relating to East Gate project consist of equity investment in East Gate Logistik LLC amounting to USD 11,349 thousand (2019: equity investment amounting to USD 12,028 thousand through AICEE II Finance Cyprus Limited) and loans receivable amounting to USD 7,515 thousand (2019: consisted of loan receivable from AICEE II Finance Cyprus Limited amounting to USD 10,221 thousand).

The Group's financial assets at fair value through profit or loss as at 31 December 2020 relating to PMS One project consist of equity investment in Property Management Solutions One LLC amounting to USD 34,365 thousand (2019: equity investment in Orbelson Holdings Limited amounting to USD 34,885 thousand) and loans receivable amounting to USD 12,561 thousand (2019: USD 17,164 thousand).

The Group's financial assets at fair value through profit or loss as at 31 December 2020 relating to PMS Two project consist of equity investment in Property Management Solutions Two LLC amounting to USD 8,037 thousand (2019: equity investment in Glanston Holdings Limited amounting to USD 8,184 thousand) and loans receivable amounting to USD 7,002 thousand (2019: USD 8,468 thousand).

(a) Investment in subsidiaries (investees)

(i) Valuation technique and significant unobservable inputs

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

As at the date of acquisition of investees management estimated the fair value of its investments at the amount of consideration paid in the third party transaction.

As at 31 December 2020, the management of the Group performed a detailed review of the investees' assets and liabilities for the purpose of their fair value assessment:

- Assets are mainly represented by the income generating investment properties. The fair value of the investment properties was assessed as at 31 December 2020 and as at 31 December 2019 by the independent appraiser, CBRE LLC.
- Long term liabilities are mainly represented by long-term tenants' security deposits and deferred tax liability.
- Fair value of long-term tenants' security deposits 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.
- Fair value of deferred tax assets and liabilities is measured using discounted pattern of expected realisation of these deferred tax assets and liabilities (aligned with expected net operating incomes of the Group's investees) at the discount rate applicable to the fair value assessment of the investment property.
- Other assets and liabilities are short-term by nature and their fair value approximates the carrying amount. Thus, no additional adjustment is required.

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

Summary of fair values of respective investment projects are as follows as at 31 December 2020:

	Pyramida	West Gate	East Gate	Eurasia	Prime	Total
<i>(in thousands of USD)</i>						
Assets						
Investment property	50,400	35,800	19,900	51,100	15,700	172,900
Prepayments for investment property	-	-	-	8	-	8
Deferred tax assets	-	1,167	-	-	-	1,167
Property and equipment and intangible assets	11	-	-	5	4	20
Trade accounts receivable, net	531	60	9	13	11	624
Prepayments made	174	93	79	81	24	451
Inventories	6	2	1	2	1	12
Other current assets	30	-	-	-	-	30
Cash and cash equivalents	2,027	86	48	201	182	2,544
Total assets	53,179	37,208	20,037	51,410	15,922	177,756
Liabilities (excluding loans payable)						
Deferred tax liability	(4,996)	-	(927)	(3,058)	(625)	(9,606)
Tenants' security deposits	(808)	(266)	-	(675)	(90)	(1,839)
Trade and other accounts payable	(128)	(77)	(34)	(76)	(41)	(356)
Prepayments received	-	(14)	(163)	(444)	(100)	(721)
Income tax payable	(272)	-	-	(132)	(14)	(418)
Other taxes payable	(23)	(130)	(49)	(99)	(13)	(314)
Total liabilities (excluding loans payable)	(6,227)	(487)	(1,173)	(4,484)	(883)	(13,254)
Net identifiable assets and liabilities (excluding loans payable)	46,952	36,721	18,864	46,926	15,039	164,502
Ownership	100%	100%	100%	100%	100%	
Total financial assets at fair value through profit or loss	46,952	36,721	18,864	46,926	15,039	164,502

Summary of fair values of respective investment projects are as follows as at 31 December 2019:

	Pyramida	West Gate	East Gate	Eurasia	Prime	Total
<i>(in thousands of USD)</i>						
Assets						
Investment property	50,300	39,800	22,600	54,300	16,800	183,800
Prepayments for investment property	91	-	-	251	-	342
Property and equipment and intangible assets	11	-	-	1	35	47
Deferred tax assets	-	1,586	-	-	-	1,586
Trade accounts receivable, net	2,232	48	22	15	46	2,363
Prepayments made	111	130	76	109	48	474
Taxes receivable	202	10	11	-	9	232
Other current assets	6	2	1	3	1	13
Cash and cash equivalents	1,761	559	320	1,509	447	4,596
Total assets	54,714	42,135	23,030	56,188	17,386	193,453
Liabilities (excluding loans payable)						
Deferred tax liability	(5,328)	-	(527)	(2,357)	(462)	(8,674)
Tenants' security deposits	(1,016)	(247)	-	(773)	(82)	(2,118)
Trade and other accounts payable	(172)	(69)	(34)	(99)	(23)	(397)
Prepayments received	-	-	(169)	(573)	(68)	(810)
Other taxes payable	(565)	(121)	(51)	(337)	(99)	(1,173)
Total liabilities (excluding loans payable)	(7,081)	(437)	(781)	(4,139)	(734)	(13,172)
Net identifiable assets and liabilities (excluding loans payable)	47,633	41,698	22,249	52,049	16,652	180,281
Ownership	100%	100%	100%	100%	100%	
Total financial assets at fair value through profit or loss	47,633	41,698	22,249	52,049	16,652	180,281

To assist with the estimation of fair value of investment properties as at 31 December 2020 and as at 31 December 2019, management engaged independent appraiser CBRE LLC, having a recognized 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 2020 and 31 December 2019 investment properties were represented by a shopping mall at Piramida project, by two logistic warehouses at East Gate and West Gate projects and by two business centers at PMS One and PMS Two projects (see Note 1).

The fair values are based on the estimated future rentals. A market yield is applied to the estimated future rentals to arrive at the property valuation. When actual rents differ materially from the estimated rentals, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants' actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the entity and the lessee, and the remaining economic life of the property.

As at 31 December 2020, the estimation of fair value is made using the direct capitalization method under the income approach based on certain assumptions, the most important of which are as follow:

- Capitalisation rates in range from 12 to 13.75% used for calculation of the terminal value following the end of projection period within 1 year (1.5 years for Piramida project), which represent key unobservable input for determination of fair value of the investment property;
- Monthly rental rates ranging from:
 - For Piramida project monthly rental income is affected by temporary discounts to tenants provided following COVID-19 implications and reconstruction of the part of the subject property. Thus, gross leasable area is expected to increase from actual of 12,630 sq.m as at 31 December 2020 to 19,238 sq.m. at the end of 2Q 2022 and used further in the terminal period. Therefore, monthly rental rates in the projection period (1Q2021-2Q2022) have been estimated to range from 23 to 31 USD per sq. m, and the latter rate to be used in the terminal period. All estimates are based on budgeted rent-rolls for 2021 and 2022 that include contractual rental rates and estimated rental rates based on preliminary agreements for new reconstructed premises concluded with the tenants.
 - USD 4.2 to USD 4.7 per sq. m. for the West Gate and East Gate projects that are based on contractual rental rates as per budgeted rent roll for 2021.
 - USD 16 – 18.3 per sq. m. for the office space for the PMS One and PMS Two projects that are based on contractual rental rates as per budgeted rent roll for 2021.
- Expected vacancy rates are as follows:
 - Vacancy rates for Piramida project 2021 were projected based on Client's budgeted rent-roll and are expected to gradually decrease from 23.6% in 1Q2021 to 2% in 2Q2022 and the latter to be used as structural vacancy in the terminal period. Vacancy rates were affected by new premises expected to be input into use following the completion of the reconstruction of the Piramida centre.

The Group's management expects that the 1st turn of the reconstruction increasing the gross leasable area to 15,805 sq.m. will be input into use in 2Q2021 and the 2nd turn increasing further the leasable area to 19,238 sq.m. will be input into use till the end of 2021. However, this expected period of input into use of additional leasable area is subject to significant estimation uncertainty because it depends on circumstances that could not be always under the control of the Group's management (for example, the regulatory process of official ownership registration).

- Vacancy rates for West Gate and East Gate projects are forecasted at the level from 2.5% to 6.3% as the structural vacancy.
- Vacancy rates for Eurasia office centre were projected based on Client's forecast rent roll to gradually decrease from 20.9% in 1Q2021 to 5 % at the end of 4Q2021 and the latter to be used as the structural vacancy.
- Vacancy rate for Prime office centre is forecasted at the level of 5% as the structural vacancy.
- The ratio of reimbursement of operating expenses by the tenants in the following ranges, which is based on contractual terms.
 - 60-84% for the Piramida project depending on the growth of occupancy of the retail space.
 - 95.5% - 101.4% for the West Gate and East Gate projects.
 - 115.1% - 127.5% for the PMS One and PMS Two projects.
- The capital expenditures are included in cash outflows for the first forecasted year and excluded from cash flows in terminal period.

Additionally, capital expenditures for reconstruction of the Piramida shopping centre was projected for the year 2021 at the amount of USD 5,514 thousand.

As at 31 December 2019, the estimation of fair value is made using the direct capitalization method under the income approach based on certain assumptions, the most important of which are as follow:

- Capitalisation rates in range from 11.8% to 13.75% used for calculation of the terminal value following the end of projection period within 1 year, which represent key unobservable inputs for determination of fair value of the investment property;
- Monthly rental rates ranging from:
 - USD 40.5 per sq. m. of rental income and additional rate of USD 5.8 per sq.m. based on tenants' turnovers, for Pyramida project.
 - USD 4.9 to USD 5.0 per sq. m. for the West Gate and East Gate projects.
 - USD 16.8 – 18 per sq. m. for the office space and the range USD 150.5 - 151.7 per lot for parking for the PMS One and PMS Two projects.
- Monthly rental rates are based on contractual rental rates and actual occupancy rates in a range from 93.6% to 97.5%.
- The ratio of reimbursement of operating expenses by the tenants in the following ranges, which is based on contractual terms.
 - 101.3% for Pyramida project.
 - 95.2% - 100.0% for the West Gate and East Gate projects.
 - 121.1% - 137.4% for the PMS One and PMS Two projects.

Other assets and liabilities

Long term liabilities are mainly represented by long-term tenants' security deposits and deferred tax liabilities.

Fair value of long-term tenants' security deposits 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.

Fair value of deferred tax assets and liabilities is measured using discounted pattern of expected realisation of these deferred tax assets and liabilities (aligned with expected net operating incomes of the Group's investees) at the discount rate applicable to the fair value assessment of the investment property.

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

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

The valuation model used to assess the fair value of investment property as at 31 December 2020 and 31 December 2019 is particularly sensitive to key unobservable input in the following areas.

For Piramida project:

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2020		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(3,206)	3,709
Monthly rental rates (10 p.p. decrease)	4,371	(4,371)
Ratio of reimbursement of operating expenses (25 p.p. movement)	3,547	(3,547)
Vacancy rates (2 p.p. movement)	(892)	892

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2019		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(3,383)	3,998
Monthly rental rates (10 p.p. movement)	-	(4,350)
Ratio of reimbursement of operating expenses (25 p.p. movement)	-	(3,504)

For PMS-1 (Eurasia) project:

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2020		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(3,498)	4,014
Monthly rental rates (10 p.p. decrease)	3,608	(3,693)
Ratio of reimbursement of operating expenses (25 p.p. movement)	4,413	(4,498)
Vacancy rates (2 p.p. movement)	(1,039)	954

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2019		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(4,072)	4,892
Operating expenses reimbursement rate (25 p.p. movement)	-	(4,799)
Rental rate (10 p.p. movement)	4,737	(5,017)

For PMS-2 (Prime) project:

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2020		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(1,200)	1,400
Operating expenses reimbursement rate (25 p.p. movement)	1,200	(1,200)
Rental rate (10 p.p. movement)	1,400	(1,500)
Vacancy rate (2 p.p. movement)	(300)	300
	Fair value of investment property	
<i>(in thousands of USD)</i>	Increase	Decrease
31 December 2019		
Capitalisation rate (1 p.p. movement)	(1,327)	1,586
Operating expenses reimbursement rate (25 p.p. movement)	-	(1,471)
Rental rate (10 p.p. movement)	1,579	(1,575)

For WGL project:

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2020		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(2,495)	2,894
Operating expenses reimbursement rate (25 p.p. movement)	2,293	(2,052)
Rental rate (10 p.p. movement)	3,617	(3,617)
Vacancy rate (2 p.p. movement)	(925)	740
	Fair value of investment property	
<i>(in thousands of USD)</i>	Increase	Decrease
31 December 2019		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(2,719)	3,261
Operating expenses reimbursement rate (25 p.p. decrease)	-	(3,123)

For EGL project:

<i>(in thousands of USD)</i>	Fair value of investment property	
	Increase	Decrease
31 December 2020		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(1,426)	1,664
Operating expenses reimbursement rate (25 p.p. movement)	909	(909)
Rental rate (10 p.p. movement)	2,014	(2,014)
Vacancy rate (2 p.p. movement)	(430)	430
	Fair value of investment property	
<i>(in thousands of USD)</i>	Increase	Decrease
31 December 2019		
Capitalisation rate (1 p.p. movement) (key unobservable input)	(1,636)	1,871
Operating expenses reimbursement rate (25 p.p. movement)	-	(1,213)

8. Cash and cash equivalents

The following table represents an analysis of cash and cash equivalents based on Moody's ratings as at 31 December 2020:

	31 December 2020
<i>(in thousands of USD)</i>	
Bank balances	
Caa1	159
Not rated	5,822
Total	5,981

Cash balances held in the bank which is unrated relate to the same bank in which the Group has received its loans financing (Note 11).

The following table represents an analysis of cash and cash equivalents based on Fitch ratings as at 31 December 2019:

	31 December 2019
<i>(in thousands of USD)</i>	
Bank balances	
BBB	2,109
Not rated	2,948
Total	5,057

9. Bonds issued

As at 31 December 2020, the terms and debt repayment schedule of bonds issued are as follows:

	Currency	Nominal interest rate	Effective interest	Maturity	Carrying value
<i>(in thousands of USD)</i>					
<i>Non-current portion</i>					
Issued bonds at amortized cost	USD	5.9%	6.76%	31 Oct 2025	31,697
Total					31,697
<i>Current portion</i>					
Issued bonds at amortized cost					359
Total					359

Reconciliation of bond's movements:

Balance at 31 December 2019	-
<i>Cash movements</i>	
Proceeds from issue of bonds	29,102
<i>Non-cash movements</i>	
Interest accrued on bonds (Note 6)	359
Effect from foreign exchange rates	2,595
Balance at 31 December 2020	32,056

Short-term financial instruments are represented by accrued interest on issued bonds, which is due within one year from the balance sheet date. The bonds were issued by NUPEH CZ s. r. o. on Prague Stock Exchange (Czech Republic) on 30 October 2020 with a total nominal value of CZK 700 million, maturing in 2025.

Interest is payable twice: on 30 April and 30 October each year.

The Parent guaranteed the Subsidiary's bonds in the form of a financial guarantee under the Czech law. NUPEH CZ s. r. o may redeem bonds at any time at any price on the market or otherwise. If there is no early repayment (an option not currently being considered by Subsidiary), bonds principal will be repaid in a lump sum on 30 October 2025.

As at the date of issue transaction costs in the amount of CZK 22,096 thousand (USD 946 thousand) were associated with the issue of the bonds. These costs are recognized in the income statement during the bonds life based on the effective interest rate. The coupon rate is 5.9%. The effective interest rate is 6.76%. The fair value of the bonds approximates the fair value as at 31 December 2020.

The net proceeds from bond's issue were transferred by the Subsidiary to the Parent in form of loan amounted to USD 29,400 thousand. These proceeds were used by the Group primarily for dividend distribution. The bonds issued are secured. See Note 11 for details.

10. Receivables from derivative operations

	31 December 2020	31 December 2019
<i>(in thousands of USD)</i>		
Fair value of the swap	1,696	-
	<u>1,696</u>	<u>-</u>

As at 31 December 2020 the Subsidiary has cross currency swap with J&T BANKA, a.s. to bridge the currency mismatch between the issued bonds in CZK and the provided loan to Parent in USD.

The Subsidiary set up a swap on 30 October 2020 in the amount of CZK 700,000 thousand with a koruna interest rate of 5.9% against the amount of USD 30,461 thousand with a dollar interest rate of 7.25%. The maturity of the swap is 29 October 2025.

There is a back conversion of funds from USD to CZK corresponding to the interest paid as at April 30 and October 30 each year.

The Group valued and recognized the fair value of the swap as a receivable in the amount of USD 1,696 thousand as at 31 December 2020. The Group does not report a derivative as a hedging instrument; all movements in fair value are recognized as profit or loss in Group's consolidated statement of comprehensive income.

11. Loans and borrowings

This note provides information about the contractual terms of loans. For more information about the Group exposure to interest rate risk and foreign currency risk, refer to the Note 14 (c).

As at 31 December 2020, the terms and debt repayment schedule of bank loans are as follows:

	Currency	Nominal interest rate	Effective interest	Maturity	Carrying value
<i>(in thousands of USD)</i>					
<i>Long-term loans</i>					
J&T BANKA (Facility A)	USD	6% + LIBOR	6.91%	31 Dec 2025	34,010
Total					34,010
<i>Current portion of long-term loans</i>					
J&T BANKA (Facility A)					4,375
Total					4,375

As at 31 December 2019, the terms and debt repayment schedule of bank loans are as follows:

	Currency	Nominal interest	Effective interest	Maturity	Carrying value
<i>(in thousands of USD)</i>					
<i>Long-term loans</i>					
J&T BANKA (Facility A)	USD	7.5%+LIBOR	9.6%	31 December 2021	4,000
J&T BANKA (Facility B)	USD	7.0%+LIBOR	9.1%	31 December 2024	15,500
J&T BANKA	USD	6.5%+LIBOR	8.6%	30 June 2023	5,000
Total					24,500
<i>Current portion of long-term loans</i>					
J&T BANKA (Facility A)					4,000
J&T BANKA (Facility B)					4,005
J&T BANKA					2,000
Total					10,005

(a) J&T BANKA Loan

On 23 December 2016, the Company signed a loan facility agreement (“Facility A”) with J&T BANKA (Czech Republic, the “Bank”) with a limit of USD 20,000 thousand with the purpose of financing of its acquisition transactions with regards to its investees as disclosed in Note 4(b). The Company utilized the whole amount of the loan facility on 28 December 2016. In accordance with the terms of the loan agreement, the Company is obliged to settle the loan in equal quarterly instalments in the amount of USD 1,000 thousand till 31 December 2021.

On 16 February 2018 and on 4 July 2018, the Company signed the additional loan facility agreements ("Facility B" and Loan Facility Agreement USD 10,000 thousand) with the Bank with the limits of USD 27,500 thousand and USD 10,000 thousand respectively. The purpose of Facility B was to repay the equivalent amount of the loan provided by Dragon Capital Investments Limited. The maturity of the Facility B was set to 31 December 2024. The purpose of Loan Facility Agreement USD 10,000 thousand was to repay the equivalent amount of the loan provided by Dragon Capital Investments Limited during the year ended 31 December 2018 as described below in Note 11(b). The maturity of the Loan Facility Agreement USD 10,000 thousand was set to 30 June 2023. In accordance with the terms of the loan agreement, the Company is obliged to settle the loan in equal quarterly instalments in the amount of USD 1,000 thousand till 31 December 2024 for Facility B and of USD 500 thousand till 30 June 2023 for Loan Facility Agreement USD 10,000 thousand.

Total credit limit in J&T BANKA as at 31 December 2019 amounts to USD 57,500 thousand.

Finance costs include interest expense accrued under J&T BANKA loans in 2019 amount to USD 3,802 thousand.

According to the conditions of the loan agreements described above, the Company had a right of voluntary prepayment. This option allowed to repay the whole amount of loan or its certain part in case of prior notice.

In 2020 the Company used the option and has settled all obligations under loan agreements concluded in 2016 and 2018.

Respectively, on 19 October 2020 the Company signed new Loan facilities agreement with the Bank that provided two facilities: Facility A (up to USD 40,000 thousand) and Facility B (up to CZK 1,575,000 thousand).

The Company may only use funds available under Facility A in the following order of priority: for refinancing of existing loans from the Bank and for one or several distributions to shareholders in the total amount of up to USD 45,000 thousand made by 31 December 2020.

The Company utilized the whole amount of the loan Facility A on 22 October 2020. In accordance with the terms of the loan agreement, the Company is obliged to settle the loan in quarterly instalments defined by repayment schedule till 31 December 2025.

Funds under Facility B may only be used for repayment of NUPEH CZ bond liabilities. As at 31 December 2020 the Company has not utilized amount available under this facility.

Finance costs include interest expense accrued under J&T BANKA loans in 2020 amount to USD 2,607 thousand.

Collateral

During the year ended 31 December 2017 the Company's shareholders (as described in Note 1) have signed the Option agreement with the Bank that granted them the right, in the case of event of default on J&T BANKA loan, to settle the J&T BANKA claim and get hold on relevant pledged assets.

As at 31 December 2020, the following pledge and guarantee agreements were concluded to secure the loan agreements of the Company (J&T BANKA as pledgee) and bonds issued by NUPEH CZ s. r. o. (whereas NUPEH CZ s.r.o. has the right and priority of payment as Senior Notes Creditor):

Directly with regards to assets of the Company:

- Cypriot law Share Pledge Agreement in respect of approximately 52.49% shares in the Borrower between the Lender as pledgee and DCI and DC NUF as pledgors.
- Cypriot law Share Pledge Agreement in respect of approximately 31.97% shares in the Borrower between the Lender as pledgee and SKY MUNDI S.à r.l., as pledgor.
- Cypriot law Share Pledge Agreement in respect of approximately 15.54% shares in the Borrower between the Lender as pledgee and Ukrainian Redevelopment Fund LP as pledgor.
- Czech law Share Pledge Agreement in respect of 100% shares in the Company's Subsidiary.
- Czech law Bank Account Pledge Agreement in respect of the Borrower's bank account with the Lender.
- Czech law Bank Account Pledge Agreement in respect of the Subsidiary's bank account with the Lender.
- Cypriot law bank account pledge agreement in respect of the Borrower's bank accounts with Eurobank Cyprus Ltd.
- Czech law Intragroup Receivables Pledge Agreement in respect of 100% receivables due from the Borrower to the Subsidiary.
- Share pledge agreements in respect of 100 % shares in Ukrainian investees.
- Ukrainian law Mortgage Agreements were concluded with Ukrainian investees as pledgors in respect of the following properties:

- Shopping and entertainment centre “Piramida” (Atlantic Pacific Ventures LLC);
- Office premises in business centre “Eurasia” (Property Management Solutions One);
- Office premises in business centre “Prime” (Property Management Solutions Two);
- Two warehouse and logistics complexes owned by East Gate Logistik LLC and West Gate Logistik LLC
- Ukrainian law Intragroup Receivables Pledge Agreement were signed in respect of 100% receivables due to the Company from Ukrainian investees.
- Ukrainian law Bank Account Pledge Agreement in respect of bank accounts owned by Ukrainian investees.

Similar type pledge and guarantee agreements were concluded to secure the loan agreements of the Company as at 31 December 2019.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	J&T BANKA Loan	Dividends	Total
<i>(in thousands of USD)</i>			
Balance at 1 January 2019	44,500	2,500	47,000
<i>Cash movements</i>			
Repayment of loans and borrowings	(10,000)	-	(10,000)
Finance expense paid	(3,797)	-	(3,797)
Dividends paid	-	(2,500)	(2,500)
<i>Non-cash movements</i>			
Finance costs	3,802	-	3,802
Balance at 31 December 2019	34,505	-	34,505
<i>Cash movements</i>			
Proceeds from loans and borrowings received	40,000	-	40,000
Repayment of loans and borrowings	(35,600)	-	(35,600)
Finance expense paid	(3,127)	-	(3,127)
Dividends paid	-	(45,000)	(45,000)
<i>Non-cash movements</i>			
Finance costs	2,607	-	2,607
Dividends declared	-	45,000	45,000
Balance at 31 December 2020	38,385	-	38,385

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

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

	2020	2019
<i>(in thousands of USD)</i>		
Finance income (Note 14(b))	5,705	4,609
Finance costs (Note 14(b))	(1,056)	(2,026)
Forgiveness of debts (Note 14(b))	2,047	-
Dividend income (Note 14(b))	140,360	3,140
(Loss)/gain from financial assets at fair value through profit or loss (Note 14(b))	(146,971)	28,555
Net gain from financial assets at fair value through profit or loss	85	34,278

13. Contingencies

(a) Taxation contingencies

The Group is subject to tax charges within Cyprus jurisdiction. Additionally, the Group'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 characterized 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.

Management believes that the Group has adequately assessed tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions for the purpose of assessment of the Group'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.

14. Financial instruments - 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, loans and borrowings and other accounts payable approximates their carrying amount.

		Carrying amount				Fair value	
	Note	Designated at fair value	Financial assets at amortised cost	Other financial liabilities	Total	Level 3	Total
(in thousands of USD)							
31 December 2020							
Financial assets measured at fair value							
Financial assets at fair value through profit or loss	7	164,502	-	-	164,502	164,502	164,502
		164,502	-	-	164,502	164,502	164,502
Financial assets not measured at fair value							
Cash and cash equivalents	8	-	5,981	-	5,981		
Receivables from derivatives	10	1,696	-	-	-		
Trade and other receivables		-	7	-	7		
		1,696	5,988	-	5,988		
Financial liabilities not measured at fair value							
Trade and other payables		-	179	-	179		
Bonds issued	9	-	32,056	-	32,056		
Loans and borrowings	11	-	38,385	-	38,385		
		-	70,620	-	70,620		
		Carrying amount				Fair value	
	Note	Designated at fair value	Financial assets at amortised cost	Other financial liabilities	Total	Level 3	Total
(in thousands of USD)							
31 December 2019							
Financial assets measured at fair value							
Financial assets at fair value through profit or loss	7	180,281			180,281	180,281	180,281
		180,281			180,281	180,281	180,281
Financial assets not measured at fair value							
Cash and cash equivalents	8		5,057		5,057		
Trade and other receivables			81		81		
			5,138		5,138		
Financial liabilities not measured at fair value							
Trade and other payables				165	165		
Loans and borrowings	11	-	-	34,505	34,505		
		-	-	34,670	34,670		

(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 7 – Financial assets at fair value through profit and loss.

Fair value of the Group's financial assets at fair value through profit or loss is mainly impacted by the major underlying assets – income generating investment properties. The sensitivity analysis for the investment properties is disclosed in the Note 7 (a).

Reconciliation of Level 3 fair values

The following table shows a reconciliation of the amount of consideration incurred for acquisition of investees to the closing balances of financial assets at fair value through profit or loss.

	Note	Financial assets at FVTPL
<i>(in thousands of USD)</i>		
Balance at 1 January 2019		163,909
Dividend income	12	3,140
Increase of share capital of investee	4(b)	194
Finance income	12	4,609
Loans principal received		(7,969)
Dividend received		(3,140)
Interest received		(6,991)
Finance costs	12	(2,026)
Gain from financial assets at fair value through profit or loss		28,555
Balance at 31 December 2019		180,281

	Note	Financial assets at FVTPL
<i>(in thousands of USD)</i>		
Balance at 1 January 2020		180,281
Dividend income	12	140,360
Acquisition proceeds paid to Cyprus companies for the purchase of share capital of Ukrainian companies	4(b)	143,159
Finance income	12	5,705
Forgiveness of debts	12	2,047
Increase of share capital of investee	(b)	450
Loans obtained from Cyprus companies (later set-off with dividends received)		(143,211)
Loans principal received		(11,084)
Interest received		(5,178)
Finance costs	12	(1,056)
Loss from financial assets at fair value through profit or loss	12	(146,971)
Balance at 31 December 2020		164,502

(c) Financial risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group does not hedge its exposure to such risks. The political and economic situation is described in Note 2 of these financial statements. The deterioration of political and economic situation could negatively impact the results and financial position in a manner not currently determinable.

(i) Risk management policy

The management has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amounts of financial assets represent the maximum credit exposure.

Loans receivable

The Group issues loans to its subsidiaries. All these loans are unsecured and are stated at fair value through profit or loss in these consolidated financial statements. Recoverability of these loans receivable depends on operating results of the Group's investees which owns the income generating real estate. The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties, so no expected credit losses were recognized as at 31 December 2020 and 31 December 2019.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The following are the contractual maturities of financial liabilities as at 31 December 2020. The amounts are gross and undiscounted, and include estimated interest payments:

		Contractual cash flows			
	Carrying amount	Total	Within one year	2-5 years	More than 5 years
(in thousands of USD)					
Loans and borrowings from J&T BANKA	38,385	47,339	6,813	40,526	-
Bonds issued by NUPEH CZ	32,056	43,772	2,208	41,564	-
Trade and other payables	179	179	179	-	-
	70,620	91,290	9,200	82,090	-

The following are the contractual maturities of financial liabilities as at 31 December 2019. The amounts are gross and undiscounted, and include estimated interest payments:

		Contractual cash flows			
	Carrying amount	Total	Within one year	2-5 years	More than 5 years
<i>(in thousands of USD)</i>					
Loans and borrowings from J&T BANKA	34,505	41,050	12,811	28,239	-
Trade and other payables	165	165	165	-	-
	34,670	41,215	12,976	28,239	-

(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 Group'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 7), therefore fair values are not directly impacted by change in interest rates.

Foreign currency risk

The majority of the Group's income, expenses, assets and liabilities are denominated in US dollars. However, the underlying cash flows of the Group's investees are denominated in Ukrainian hryvnias. Though the Group 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 financial assets at fair value through profit or loss (Note 7).

Transactions related to the issued bond were captured by the Group by concluding a currency cross currency swap with the bank.

More details regarding cross currency swap are in the table below:

Party A	J&T BANK („J&TB“)
Party B	NUPEH CZ s.r.o. („NUPEH“)
Instrument	USD/CZK Cross currency swap
Purpose	hedge of currency and interest rate risk related to a new bond issue in CZK
Market	OTC
Side	NUPEH borrows USD and pays USD fix coupon @7,25% pa 30E/360 s/a, and lends CZK and receives CZK fix coupon @5,90% pa 30E/360 s/a
Currency pair	J&TB vice versa
Tenor	USD/CZK
Exchange rate	5years
Notional	22.980 (spot market rate)
Initial notional exchange	700,000,000 CZK
volume, currency	
Side	700,000,000 CZK
Value date	NUPEH buys USD vs CZK, J&TB vice versa
Final notional Exchange	October 30th 2020v
Volume, currency	
Side	700,000,000 CZK
Value date	NUPEH sells USD vs CZK, J&TB vice versa
Interest payments	End of last interest period
Interest rate Period	
Rates: CZK (NUPEH receives)	Semi annually
Rates: USD (NUPEH pays)	CZK fix 5,90% pa 30/360
Day count	USD fix 7,25% pa 30/360
Business day conventions	30E/360
	Modified following

Optionality	NUPEH's option to call after 3 or 4 years
Confirmation	To be delivered by J&TB

The Group also realizes in CZK expenses of a common overhead nature, which, however, are not very significant.

The balances of monetary assets and liabilities denominated in CZK are primarily bonds issued for the amount of USD 32,056 thousand as at 31 December 2020.

(d) Capital management

The Directors of DC Partners, the General Partner of Dragon Capital New Ukraine Fund, one of the Group's shareholders and acting on behalf of the Group, seek to maintain a sufficient capital base for meeting the Group's operational and strategic needs. This is achieved by efficient cash management and constant monitoring of investment projects.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

15. Related party transactions

(a) Control relationship

The Company's control relationships are described in Note 1.

(b) Transactions with management personnel

Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Group.

During the year ended 31 December 2020 remuneration of key management personnel amounted to USD 86 thousand (31 December 2019: USD 53 thousand).

(c) Transactions with subsidiaries

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

	2020	2019
<i>(in thousands of USD)</i>		
Financial assets at fair value through profit or loss (Note 7)	164,502	180,281

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

	2020	2019
<i>(in thousands of USD)</i>		
Finance income (Note 12)	5,705	4,609
Finance costs (Note 12)	(1,056)	(2,026)
Forgiveness of debt (Note 12)	2,047	-
Dividend income (Note 12)	140,360	3,140
(Loss)/gain from financial assets at fair value through profit or loss (Note 12)	(146,971)	28,555
	85	34,278

16. Events after the reporting period

The Group has evaluated events subsequent to 31 December 2020 to assess the need for potential recognition or disclosure in these consolidated financial statements. Such events were evaluated through the date these financial statements were authorised for issue.

After the reporting date shareholders agreement between Dragon Capital Investments Limited (Cyprus), Dragon Capital New Ukraine Fund (Jersey) and Mundi S.À.R.L. was amended and minor portion of shares owned by Sky Mundi S.À.R.L. was transferred to West Street EMS Partners.